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The People's Government of China and U.N.

The failure by the US influenced majority of nations in the UN to recognise the People's Govt of China and subsequently to admit representatives of that govt to various bodies of the UN has had unfortunate repercussions in Asia especially after India—now emerging as a leader of Asian public opinion—had not only exchanged ambassadors with Peking but openly advocated world wide recognition of the new Chinese regime and the ousting of the KMT representatives. Since the outbreak of the hostilities in Korea the question of China's (i.e. Peking's) admittance to the UN seems to have been made the object of diplomatic horsetrading. Questions of commonsense, not to mention international morality, do not enter into the current behind-the-scenes bargaining; it is altogether a discouraging spectacle to observe the attitude of the Peking-opposing governments whose principal argument remains that the new Chinese govt is a Soviet satellite and that anything which tends to enhance the position of the USSR, in whatever form, must be prevented. This negative diplomacy is bound to lead to disappointments in the face of unalterable facts; the People's Govt of China is steadily consolidating its hold and has achieved, amidst a war-torn economy, considerable successes the most notable ones being the approach of a balanced state budget, the termination of currency inflation and the increase in industrial and agricultural production.

China today is represented by the regime in Peking and this fact is even increasingly acknowledged by non-political and even anti-communist Overseas Chinese. The return of the KMT to power is impossible but some compromise within the People's Govt of China, i.e. soft-peddalling of the socialist policy by granting the 'New Democracy' interim period a longer span of life, can be visualised. At the same time, depending on a rapprochement between the US and USSR, the present attachment of Peking to Moscow may be lessened, with the so-called nationalist group in the CCP securing more power in the state. China does not want to be a satellite, she wants to be truly independent and free of any entanglements; by opposing her, as is done in the case of admittance to the UN, the govt and the people must be driven to the Soviet Union and the countries associated with her as well as, this at least being the pious hope, to those countries who have accorded Peking recognition and have acted, like India, in a friendly and understanding manner.

The war in Korea has brought home to the most indolent the real danger of a worldwide conflagration and it is now high time that the slogan 'compromise with communism' be taken up in the countries where parliamentary democracy remains the system of rule; but at the same time the aggressiveness of the revolutionaries all over the world must, by agreement.

be curbed and 'compromise with capitalism' be adopted as a policy by the Cominform. The alternative to such a compromise is: Armageddon and possible destruction of great numbers of humanity. The current drift towards war has become planning for war; time is running short and a concerted effort, by men of good will on both sides of the apparently unbridgable chasm, must now be undertaken.

Hongkong's role must remain a very modest one but constituting as it does a 'bridgehead' of Western culture and civilisation — though with emphasis on the arts of commerce—it may be made good use of while opportunity still offers. The Chinese Govt has never threatened the Colony though there were some unpleasant Peking radio accusations about trifling matters. That every Chinese Govt has a strong interest in Hongkong is only logical; after all geographically and ethnically the Colony is part of China. The future of Hongkong as part of the Commonwealth of Nations depends on the relationship between China and Britain, and as there is reason to expect growing bonds of friendship, based on the promotion of mutual interests, the security of Hongkong need not be questioned. Britain and the Commonwealth cannot afford to antagonise China and the People's Govt at Peking—provided it is not made to submit to Moscow's dictates by the lack of understanding on the part of America—should derive vital benefits from cooperating with the Commonwealth rather than challenging it.

Implications of the Korean Imbroglia

The announcement that the Western powers will make no further effort to negotiate a peace in the Korean affair, will be conceded to be the only wise course to take. That peace terms should become a bargaining card on questions not related to the ostensible cause of war is unthinkable and would indicate a sinking of principle to the lowest ebb.

Peace negotiations were first made by the United Nations Security Council direct to the North Koreans, asking them to cease fire and to withdraw to the 38th Parallel after which negotiations could be opened. This was the correct course to be followed, but as is known the North Korean authorities ignored the suggestion. The United States wishing to settle the matter as speedily and with little destruction as possible, then made a direct appeal to the Kremlin but the latter refused. It is not necessary to comment on this refusal, which unfortunately has been construed into a willingness for the war to continue, at least until a more propitious moment has been reached.

The result of these failures, coupled with the efforts of Britain and India has definitely had the effect of hardening the attitude of the United States, not only towards North Korea, but also towards the question of China's representation on the United Nations.

In the meantime, the Peking Government is apparently making preparations for an invasion on Taiwan, though how long it will take before they are ready for this difficult operation is open to conjecture. It is well known that China's economic position is far from good, and the growing mass of unemployment caused through the crippling of industrial enterprise by heavy taxation may have made the People's Government feel that now is a propitious moment while the U.S.A. is busily engaged in Korea for a diversion. It will be recalled that President Truman announced on June 27 that Taiwan would be defended by the U.S. Navy. At the same time he stated that the Nationalist Government, which had been intensifying the blockade, must cease all attacks on the Communists. This statement, coming at the same time as the outbreak of hostilities in Korea, would indicate that President Truman had hoped to localise the hostilities. Now, however, comes the news of the reported shelling of two islands off the Fukien coast, the Kinmen and Little Kinmen, which might well mean the preliminary step towards a forthright attack on Taiwan itself. The Nationalist Government fully aware of this danger has pointed out to the American Government that a concentration of shipping is taking place on the mainland at Foochow

which they, following President Truman's recent stipulation, are not in a position to attack.

The whole world situation with its keynote in the Far East, was summed up by Mr. Anthony Eden in a recent speech at Colchester when he berated the Soviet Union as the cause of all the trouble and said how urgent it was for all free nations to meet "and draw up their plans of defence and agree upon the contribution that each can make to the common effort." "We must work these things out together," he continued; "these defensive actions are urgent and need threaten no one. The fact that the free nations become more closely united in all their interests and activities is not going to lead them to menace or bludgeon anyone else."

It is this sense of unity which is particularly important and the willingness of the members of the United Nations to rally around America in the Korean affair which proves that the world is awakening to the need for united action and defensive measures. The almost unanimous action on the part of the members of the U.N. Security Council has proved the value of the organisation as a whole and gives hope that although the great member powers are most unhappy round-table companions those strenuously determined to keep the peace may still succeed in doing so.

China Produce Export Promotion

The Chinese authorities are endeavouring to promote the sale of produce and of manufactured goods and for that purpose they have instituted a number of measures which are designed to facilitate both the increased domestic production and the wide sale abroad. Many of these measures were already in force under the old regime but few were really implemented.

The new govt shows much enterprise in translating into reality its trade promotion measures. China produce has always been the mainstay of that country's exports but as it was handled by private firms only (with bureaucratic and privileged organisations taking a major share only after the end of the war in 1945) no planned effort at production and export increases was undertaken in spite of many published suggestions and regulations which, if carried out, would have led to great success of China's foreign trade.

The new govt, with characteristic determination, has now set themselves at the task of balancing the nation's foreign trade. Import needs are formidable, especially at present when war and civil war devastations have to be repaired and the initial industrialisation program has gone underway, and they can only be paid for if adequate exports can be shipped abroad. Thus the promotion of China produce

and certain well-introduced manufactured products (like silk and cotton goods) assumes a vital importance in the overall plan of China to balance its accounts with foreign countries. As trade loans are no longer possible or, for that matter, invited by the Chinese Govt, the future of the country's industrialisation, or at least the speed with which it can be realised, depends on the energetic promotion of sales of China produce and products, which in turn depends on planned and steadily increasing production at home.

With regard to animal by products and general produce, the authorities in China concentrate on two principal points:—(1) Standard and Quality have in the past not always met buyers' requirements and often were delivered contrary to agreed specifications. This problem has now been tackled by the new authorities who no longer permit the export of any produce or product without those goods having passed satisfactorily the examination of the Government Testing House. A foreign buyer can now rest assured that China produce will be shipped according to the requisite standard and as per certification of the Govt Testing House. The Govt have organised a large number of research teams which are to intensify scientific studies of all exportable produce, the aim being to raise the standard generally and to introduce

suitable changes in the sorting and packing of the merchandise. If foreign buyers will in due course obtain assurance that the new method works, an important step forward in the export promotion scheme will have been made.

(2) Regular supply was in the past a matter of constant complaint by overseas buyers but as the Chinese Govt, through its various agencies, is increasingly taking over from merchants and producers, the question of steady supply should no longer arise. However, for the time being there is still side-by-side business done by official and private organisations with state trading firms gaining slowly confidence among foreign buyers. Importers in foreign countries, as well as their connections in China and Hongkong, have found that their former suppliers cannot maintain regular supplies. As is to be expected with every change of govt or rather economic system in a country, a period of adjustment is inevitable during which new forms of trading and new connections must be built up.

The Chinese Govt, taking cognisance of this fact, and in order to maintain a normal and healthy flow of trade, have been channelling supplies of China produce to a number of commercial firms in Hongkong—the Colony being at present the major port for shipping exports from China to foreign destinations. The organisations estab-

THE HOTEL BUSINESS IN HONGKONG

One of the few enterprises in Hongkong, which has been able to hold its own despite generally deteriorating business conditions but which is gradually being drawn into the vortex of the depression, is the hotel enterprise.

Favoured by a rapid post-war economic recovery in the Far East and later by developments in the China situation, hotels in the Colony enjoyed an unprecedented boom from 1946 to 1949. To meet the acute demand for accommodation resultant from the huge influx of population from the Chinese Mainland, new hotels swiftly sprung up. From 91 hotels at the end of 1948, the figure has now swelled to over 150.

The majority of hotels in the Colony (Hongkong and Kowloon included) are Chinese owned and Chinese managed. The four largest hotels, however, are foreign owned, these being the Hongkong Hotel, Peninsula Hotel, Repulse Bay Hotel and Gloucester Hotel. The first three are operated by the Hongkong & Shanghai Hotels Ltd.

Of the Chinese owned hotels, those well established are the Metropole Hotel, Hotel Cecil and St. Francis Hotel, with the first two located in the central district. The better known new hotels include the Sunning House, operated by the China Travel Service, and the International Hotel, in Kowloon.

Hotel rates are divided into two categories: those fixed under the Hotels Ordinance of 1949 and therefore controlled and those not bound by the Ordinance. A total of 24 hotels are subject to price control, although the percentage of rooms allotted for control rates differs in each hotel. Thus, whereas the Hongkong Hotel, Gloucester Hotel, Metropole Hotel and Hotel Cecil have 20 per cent of their rooms set aside for price control, 80 per cent of the rooms at the Peninsula Hotel and Repulse Bay Hotel and 90 per cent of those at the Melbourne Hotel are affected. Control rates range from \$6 to \$32 daily according to the size of and installations in the room.

The rates in hotels not bound by the Hotels Ordinance vary and are slightly higher.

The golden era dawned on the hotel business four years ago when following the close of the Pacific War in 1945, as conditions gradually returned to normal in China, there was a large demand for

imported goods into that country. Hongkong being a free port served as the entrepot and articles of every description were shipped here. The result was a constant stream of travellers—the big businessmen to make contacts and consummate orders and the small tradesmen to select their wares and bring them into China—most of whom were lodged in hotels during their stopovers.

With the Chinese Communists pressing on Nanking and Shanghai, the autumn of 1948 saw the first influx of refugees into Hongkong, mostly of the wealthy class. This was followed by an avalanche in the winter of 1948-49, when with the fall of those two cities every ship and plane brought an overload of passengers. To the hotel owners it was a blessing in disguise and all hotels did a roaring business. The saturation point was reached and reservations, if accepted, had to be made weeks ahead. Black market rates were not uncommon.

In March 1949 the Hongkong Government moved to curb profiteering by some of the hotels. The Hotels Ordinance, to take effect for two years, was enforced whereby 24 of the larger hotels were required to allocate a certain percentage of rooms for the benefit of Hongkong residents, who were unable to provide themselves with housing quarters and at the same time could not afford to pay the high rates then prevalent. This measure of the Government somewhat reduced the profits of the hotels, but business continued to be good and every available accommodation was taken. The smaller hotels that did not come under the Ordinance realized big profits. They had found their "El Dorado."

This unbroken period of prosperity lasted until the latter part of 1949 when due to various unfavourable outside factors over which they had no control, the hotels found their profits gradually dwindling.

Today, while business has not yet reached the stage of depression, this enterprise is standing at the crossroads. Hotels are no longer filled to capacity and even in the business areas the "Full House" sign is a thing of the past. On the average from 50 to 80 per cent of the rooms are occupied; even "control price" rooms are available. Occupants are generally permanent, not transient, guests.

The decline of the hotel business is attributable to the following factors:

1. General business and economic depression locally and in the China mainland.

2. Suspension of regular shipping and air service between China ports and Hongkong, and the shipping blockade enforced by the Nationalist Government at Taiwan.

3. Immigration restrictions in Hongkong which made it necessary for travellers from Taiwan and Hainan, and later Communist China, to obtain entry permits before coming to the Colony. Exit permits and cash deposits

required by the Government in Taiwan also discouraged travelling to Hongkong, once the weekend haven for Chinese officials and businessmen.

4. The back-to-homeland movement forced upon the refugees by the high cost of living in Hongkong which is rapidly gaining momentum. Latest reports indicate that within two weeks from July 1 to the middle of the month, approximately 100,000 Chinese have left the Colony for Shanghai, Canton and interior parts.

5. The disproportionate number of hotels in relation to their demand. Within the span of less than two years more than 50 have appeared, thereby showing a two-thirds increase as compared with the 91 existing at the beginning of 1949.

Although the hotel business is not what it used to be, say, a couple of years ago, yet judging from the general trend of other businesses and industries here, it is still faring quite well.

According to one hotel owner, most hotels enjoy sufficient patronage to keep their heads, though barely, above water; for if 60 per cent of the rooms are occupied, the income derived therefrom will adequately cover overhead expenditure. Their chief concern, therefore, is not so much the present as the future. What must be done to check this downward trend, is engaging the attention of hotel interests.

It has been suggested that to secure more business hotel rates should be cut by 20 per cent, but whether such a step would bring satisfactory results is debatable. How hotel owners will endeavour to solve this problem, whether jointly or individually, will bear interesting watching in future.

lished in Hongkong which enjoy the support of the Chinese authorities are all financially very sound and in a position to guarantee steady supply according to specifications. Foreign buyers have therefore established direct connections with such newly formed Chinese trade organisations and have found good service in every respect. The business of middlemen is bound to suffer in the long run but this is a development observed in most countries abroad as well; the trend to do direct business is clearly observable and, from the consumer's point of view, a welcome development.

ECONOMIC NEWS FROM THE UNITED STATES

By E. Kann, (Los Angeles)

(Special to the Far Eastern Economic Review.)

Scare Purchasing

About the progress of the police action, recte undeclared war in Korea, I shall not report, already because events are liable to undergo kaleidoscopic changes before this report even reaches the local post office. But there are certain economic features which should not be ignored. Amongst these is scare buying. True, so far such attempts have not turned into a general 'buying spree'; and neither are all classes of commodities being affected. Remembering the insufficiency of supplies which prevailed in many lines during world war II, many housewives are now starting to lay in stocks of provisions, while the husbands cast their eyes on consumer goods, like motor cars, tires and metals. So far the fright has vibrated within narrow channels only. The movement has not yet become universal. Goods affected are motor cars, tires, batteries, coffee and sugar.

There is no doubt that tires and batteries are in very ample supply. Coffee was expensive before the Korean imbroglio and might go higher, due to rumors and speculative hoardings. But sugar is definitely in surplus supply. Regarding motor cars it ought to be recalled that demand was already incessant before the Far Eastern trouble flared up. Orders for new cars were so heavy that waiting lists were the order of the day. This means that a rush for new cars can only result in

swollen backlogs, but it would not lead toward quick delivery.

Some retailers are urging their patrons to stock up while the going is good. They are furthering their own interests, but often hurting the country's economy, quite apart from the fact that such irresponsible steps usually lead to inflation. Besides, certain goods, like coffee, batteries and tires, suffer when stored up for a lengthy period, thus hurting the hoarders. An uncalled for run on stores at this stage would be bound to force prices up, so that every consumer would suffer losses.

Sugar

Many farmers bought 100 pounds bags of sugar to keep in store. Sugar is one of the commodities of which there is a great surplus in and around the United States. Cuba has about 1 million tons of sugar left over from this year's crop, and there is plenty of sugar in the shops for sale in this country. If Washington wanted to lay hands on the Cuban surplus it could easily have done so. Puerto Rico is another important supply base for sugar.

The 1 million tons of Cuban sugar is over and above the 1,500,000 tons which the United States is expected to consume this year. It is true that sugar is a war material. In World War II sugar and its joint-product, molasses, was employed in the manufacture of industrial alcohol. One of the key industries in America, rubber manufac-

turers, used huge quantities of such alcohol.

One of the reasons why sugar is now being singled out for hoarding probably is to be found in the fact that sugar remained in short supply for several years after termination of hostilities. Availing itself of the rare opportunity, Cuba produced on a record scale. But then U.S.A. lacked the shipping space to bring the sugar home. Thereafter America had to share available Cuban stocks with her European allies, whose beet sugar crops had to be built up once more.

By now sugar production all over the world is back to normal, i.e. at pre-war levels. Reliable sources estimate that the world will turn out this year and also next, a million tons above what it will consume. From a low of 5.45 cents a pound at the beginning of April this year the price of raw sugar has advanced during the first week of July to 5.90 cents a pound; actually not a sensational climb.

Under existing laws U.S. domestic beet sugar farmers were given a quota of 1,800,000 tons; however, they planted a larger acreage this season than last year. Besides this, domestic growers of cane sugar were given a 500,000 tons quota for 1950, a quantity which will be harvested.

Notwithstanding the decline up to 20% of New York stocks, since the outbreak of the Korean hostilities, sugar shares are showing a tendency toward moderate rises, especially those domiciled in Cuba and Puerto Rico. Amongst these are Cuban Atlantic Sugar Co. and West Indies Sugar Co., which have risen recently about 10%.

Rubber

Leading rubber manufacturers warn against hasty buying of rubber tires for hoarding purposes. They not only point out that stocks are more than ample, but many of the dealers announce cheap sales of rubber tires. It is feasible that military or naval campaigns might cut off rubber supplies from the East. But in such an emergency this country will have to turn to its synthetic factories. Of these the U.S. Government has 15, of which 10 are now being operated, while five others are yet in moth balls.

Mr. John L. Collyer, president of B. F. Goodrich Co., for some time past has advocated the re-activation of one or more of the artificial rubber plants now held in stand-by status. Says Mr. Collyer: "We need to determine by actual experience the time needed to attain capacity output under emergency conditions. Man-made rubber stands today as a comforting assurance that it can preserve our industrial system and our indispensable transportation system. Right now we need assurance that no development in the Far East, or arrived at in conference, will cause America's economic system to sputter or stall for want of rubber."

Currently the rubber industry in America is working close to capacity. Its probable consumption this year will approximate 1,100,000 tons, compared with 990,000 tons in 1949. Of the entire consumption about 58% will be natural rubber, and the balance American-made rubber. Of the former as much as 96% is now obtained from the Far East.

Regarding the efficiency of synthetic rubber Mr. Collyer states: "The automobile tire being made today with a tread of 'cold rubber' is the best tire an American tire owner has ever been privileged to buy."

He admitted, however, that for heavy duty on trucks natural rubber is unchanged at present, but added: "A quick look at what American industrial science already has accomplished provides encouragement that present performance of man-made rubbers will be improved in the future."

'Cold rubber' is a recent advance in the manufacture of artificial rubber. Manufactured at lower temperatures, it withstands changes from cold to warm, or vice versa, better than did the early types of synthetic rubber. Yet, it has not yet been found satisfactory for heavy bus and truck tires owing to the enormous heat developed by casings under high speed and heavy load operation.

Here it might be added that, due to the incessant auto demand plantation prices for natural rubber rose (New York futures) from 15¼ cents last October to 34½ cents this June. This rise was assisted by the slump in American synthetic rubber a few months ago, when the coal strike cut the production of Styrene, a vital coal-tar derivative. Then the U.S. Government stepped in by informing Indonesian growers that America

would increase its output of synthetic rubber by 85% at a cost of 18½ cents a pound and that its annual production would approximate 420,000 tons by July. It is thought that the 1950 natural rubber production will be in excess of consumption to the tune of 140,000 tons, a factor which ought to prevent quotations to excessively high levels.

Employment

Notwithstanding the Korean hostilities there are signs that this year's employment will exceed the record-1948 peak. This is according to the breaking figure of 61,600,000 of the Department of Labour's statement. Much of the remarkable high employment this year is due to the record-high building trade. But the output of durable merchandize also moved up considerably. The greatest proportionate increase in employment is taking place in Western America. There construction and food processing activities are thought to continue for a considerable time to come. Even apparel is witnessing a seasonable upswing.

By the close of June there were 3,384,000 unemployed people counted in America. This figure compares with 8,300,000 in 1940. The highly satisfactory rate of employment in America is due to the principal industries working at full capacity. For eleven straight weeks the steel mills labored above 100% capacity; auto manufacturers are fully occupied and their output is increasing from month to month; airplane factories have backlogs for years to come; retail sales are on the increase. The average worker now has \$3.50 a week more to spend than a year ago and consumer credit stands at a record high.

Some economists have been pointing out that there are dangers in this seemingly prosperous display. This may be so. However, the new situation created by the Korean incident is certain to prolong the boom. So far there are no symptoms discernible in this country, pointing toward a program of austerity owing to sacrifices on the Korean battlefield.

Canadian Pacific Railway

This concern is of considerable importance internationally, so that it may not be amiss to record here a few features as to present potentialities. Canadian Pacific Railway Co. is the largest corporation in Canada. It operates a net work of railroads extending from the Pacific to the Atlantic extending over 17,000 miles. It runs from Montreal and Toronto directly to Detroit. The 1949 total net income aggregated \$1.93 a share, compared with \$1.70 for 1948. The total net income for 1949 before fixed charges, but after taxes, amounted to \$20,632,000 on total gross operating revenues of \$363,252,000. The company's net earnings for the first four months of 1950 were more than double those of 1949.

Since September 1949 three freight-rate increases averaging 13% have been granted to the Canadian Pacific Rail-

way Co. However, higher wages are being negotiated and are likely to offset a good portion of the increased freight tariff. About 81% of last year's gross revenues was derived from freight, while passenger traffic accounted for 10%.

The corporation is in a strong financial position with current assets of \$134,377,000 at the end of 1949, compared with current liabilities of \$45,094,000. During the period from 1940 to 1949 net working capital increased \$37,000,000, while \$108,000,000 of funded debt was retired during those years. Dividends of Canadian \$1.25 per share (less 15% non-residents tax) have been effected since 1945.

With the devaluation of the British £ in September 1949, Canadian Pacific received a windfall in form of a book profit of about \$135,000,000, because interest on \$230,438,000 out of \$295,438,000 perpetual debenture stock, and dividends on the entire 4% non-cumulative preference shares are payable in British £. Simultaneous devaluation of the Canadian dollar resulted in a book loss of about \$12,000,000.

In addition to its railroad operations the 1949 income from non-operating sources amounted to \$1.76 per share after taxes, namely:

		Per share
Dividends from Consolidated Mining & Smelting Co.	\$ 16,000,000	\$ 1.49
Other dividends	1,000,000	.08
Ocean and coastal steamship lines	2,300,000	.17
Hotels & communications	2,300,000	.17
Interest, exchange, etc.	4,400,000	.32
	\$ 26,000,000	\$ 1.94
Provision for income taxes	2,400,000	.18
Total	\$ 23,600,000	\$ 1.76

Canadian Pacific holds 51% of the stock of the Consolidated Mining and Smelting Co., the largest (and probably the lowest cost) producer in the world of lead and zinc. It is interesting to learn that the Canadian Pacific's holdings of 1,682,500 shares have a current market value of \$151,000,000, or the equivalent of \$11.30 per share on Canadian Pacific ordinary stock. The investment in Consolidated Mining & Smelting is carried in the balance sheet of the Railway Co. at a cost of \$8,400,000. The company's fleet consists of 42 ships totaling 233,000 gross tons and is carried in the balance sheet at depreciated value of \$28,500,000, indicating a replacement value of \$100,000,000. Besides the Co. owns airlines to Australia, Hawaii and Japan; these showed a small loss last year. Then it owns a chain of 14 first-class hotels in Canada's principal towns and resorts. Its land holdings consist of 1,600,000 acres, predominantly agricultural land in Western Canada, timber areas, lumber mills, coal, lands and royalty rights for mining, natural gas and petroleum developments. In addition, mineral rights are held on more than 11,000,000 acres, of which a small part is leased to oil producers.

ECONOMIC CONSEQUENCES OF THE COLD WAR

Too often — twice too often during the twentieth century—prosperity and trade have been violently disturbed by war. Whether or not a third upheaval is likely, the fact remains that world rivalries have developed so far that the present condition of diplomatic controversy and alliance, of national preparedness and military manoeuvre, which has become known as the cold war, cannot be neglected in assessing the business situation and in viewing the prospect of trade.

In surveying the problem thus posed the bulletin of the National Bank of Australasia says that the inflationary effects of total war are well known, but the effects of the cold war may differ in that it possesses certain distinctive features. A major part of the contest is in a sociological plane and for the western nations a major part of the offensive lies in proving the effectiveness of their social systems—of free enterprise and democracy—as the best means of promoting human welfare and

national strength. Recovery and prosperity are not to be regarded only as the final fruits of peace; for the cold war they are among the first of tactical objectives.

American bread upon the Waters

It is the need to attain such objectives that has caused the more advanced nations of the world, especially the United States of America, to give financial and material aid to less fortunate countries, and the assistance given has been no less generous because it has been inspired by far-sighted mutual interest. Already the results of casting American bread upon the waters, and of the efforts of those peoples who have received it, are to be seen in a useful forward step towards recovery. As an instance, the table below reveals that in many countries under western influence the level of industrial production is above that which prevailed prior to the war.

INDEX NUMBERS OF INDUSTRIAL PRODUCTION

Year.	Belgium.	France.	Western Germany.	Italy.	Japan.	Netherlands.	Norway.	U.K.	U.S.
1937	100	100	— (a)	— (b)	100	100	100	100	100
1939	86	—	—	—	112	112	106	—	96
1946	74	87	—	—	20	75	100	90	150
1948	93	102	—	98	38	114	125	109	170
1949	94 (c)	112 (c)	89	104 (c)	55	128	132	116	156

(a) Base: 1936 equal 100 (b) Base: 1938 equal 100 (c) Average for eleven months.
Source: United Nations Monthly Bulletin of Statistics.

In this improvement the common urge to human betterment has no doubt played an important part but the recovery has been hastened by policies inspired by the need to secure peace and strength through prosperity.

The benefits which have accrued to Australia from these policies are none the less material because they are indirect. The recovery of industry in Great Britain, and Europe has increas-

ed and broadened demands for the raw materials exported by this country while at the same time providing large quantities of manufactured goods for Australian consumption. By such means many of the inadequacies of Australia's local production are being offset, many consumers' requirements are being replenished, and many capital goods provided. Such benefits are largely the consequence of world recovery pro-

moted by what must be regarded as an enlightened policy, and if that enlightenment has been inspired in part by a dangerous international situation, it is as well to count its blessings none the less.

Cost of Preparedness

But even from the strictly confined view of its effect on business, the cold war has its sterner side, for it demands a measure of military preparedness which must absorb productive capacity. In so far as it does this, it tends to exert an inflationary pressure which differs only in magnitude from that of total war.

This tendency arises because expenditure on defence places purchasing power in the hands of those engaged in the forces and in producing defence materials without providing any equivalent in goods and services for civil consumption, and the balance between goods and money thus tends to become disturbed. But the balance is really upset and inflation becomes a reality only if the burden of defence expenditure placed upon productive capacity and national finances becomes excessive. The effect on world prices and through them on Australian business conditions depends upon the magnitude of that expenditure and the proportion of the incomes of nations which it absorbs.

Cost of Total War

The difference between the cost of total war and the present costs of the cold war is tremendous. For example, the United States, the largest spender on defence among the western nations, expended about 6 per cent. of her national income on military defence during 1948-49, whereas in 1944-45 the war absorbed about 50 per cent. The United Kingdom in 1948-49 spent about 7½ per cent. as compared with over 60 per cent. in 1944-45. As an incident-

tal comparison, the expenditure by Australia in 1948-49 was 2.9 per cent. of its national income.

The current defence expenditures of the two largest western powers are small as compared with the costs of war, but are they small enough to be contained without weakening stability? In Great Britain they represent nearly one-quarter of budget expenditure and contribute to the heavy tax burden in that country while in U.S.A. they absorb more than a third of Federal revenue and are largely responsible for budget deficits.

Inflationary Risks in U.S. & U.K.

However, one indication that in the U.S.A. at least they are not large enough in themselves to bring about inflation of prices is that the burden was actually carried throughout 1949 without any marked rise in the price level. In 1950 and 1951 American defence expenditure is expected to increase but the increase envisaged at present represents only about 1 per cent. of national income and is a small fluctuation compared with changes in other items which affect American purchasing power. For example, the fall in farm incomes in the U.S.A. between 1948 and 1949 was twice this proportion and the fall in private investment was about five times as much.

In the United Kingdom where the margin above basic needs is less and defence expenditure represents a larger proportion of national income, the avoidance of inflation from this cause is more difficult. However, the United Kingdom also has managed to bear defence costs in their present proportion during the past year while the rise in her price level has been small and attributable, in part at least, to other causes. From the war period up to 1949-50 Britain's defence costs were declining due to the steady reduction in expenses carried over from the war and in that year they amounted to £741 million. An increase to £781 million is envisaged for 1950-51 but this addition of £40 million represents less than one half of 1 per cent. of the national income and, as a fluctuation which affects the balance between purchasing power and consumption goods, it is not as large as other changes such as the increase of £E145 million between 1948 and 1949 in investment in fixed capital.

In the other western powers, the burden of defence costs is no greater and in many cases not as great as for the United States and the United Kingdom, nor are the additions at present envisaged likely to be much greater in proportion.

The direct costs of the cold war are a burden on financial resources and the productive capacity of nations and they do exert some influence towards continued inflation of world prices. But they are not at present nor, although they may increase, are they likely to be in the near future sufficient in themselves to catch the world up in another whirl of rapidly spiralling inflation. They are a contributing but not a dominating influence and at their

REPORT FROM CANTON

By JAMLE

(Special to the Far Eastern Economic Review)

After nine months of Liberation, life in Canton has undergone a drastic change and the structure of a new order is in full swing. Whether it is good or bad for the people only time will tell but without question, there has developed in Canton, like in other large Chinese cities a conception of national entity and a keen realisation that the new govt stands for the people's interests and the people's rights. The only friend that the government claims is Soviet Russia whose pattern is to be copied and her national life imitated. The way of life of Old China which is termed feudal has been discarded. Chinese philosophy, customs, laws, conceptions of justice and ethics, propriety and religion, business methods and human obligations and countless other things are often tabooed and called out-of-date.

The people themselves i.e. those that are over thirty years old cannot reconcile themselves to these drastic changes and are unhappy about it. What shocked most people were the school text books; suffice it to mention just one sentence which reads: "Don't love your father, don't love your mother, give all your love to your Leader and to your country."

After learning about this, parents stopped sending their children to school. As widespread indignation increased, the People's govt wisely withdrew these text books from the schools and replaced them by others of a less radical nature.

present scale their effects could be submerged by other tendencies, especially by changes in investment.

Impacts on Australia.

As the cost of military preparedness in the western world is only one of the factors influencing the financial affairs and the price levels of countries overseas, so the requirements of materials for defence purposes represent no major portion of the world demand for Australian exports. Defence needs may make some addition to the demand for metals and possibly for wool but they are not likely to intensify to a marked degree the strong demands which have been experienced over the past few years for Australia's exports as a whole, for the wastages of the cold war are comparatively small. Indeed, even a destructive war does not necessarily intensify such pressure for, while it creates shortages by destroying harvests and interrupting production, it also enforces hunger and shuts off large sections of effective demand. Experience has shown that it is neither cold war nor total war but post-war that lifts demands for the primary pro-

Economic Life Now Improving

For over eight months the economic life in Canton was at a low ebb. Trade and industry was almost stagnant. Now that the Taiwan blockade is temporarily called off, business in the city is a little more active and junks from various interior towns are bringing more goods. In fact there is a continuous stream of junks discharging cargo daily. The trains from Hunan too, are bringing in large stocks of edibles. Walking along the waterfront to the railway station one can see large crates of chickens, ducks, eggs and pigs, and various kinds of vegetables. This abundance has brought down prices on the market more than 20%.

The price of rice is kept steady and low by the govt's distributor, the China Provision Company. Each day this company distributes around 500,000 catties and claims to have enough stocks.

Peace and Order

During the first three months of Liberation, robberies, pick-pockets and petty larceny were rife and daring. But today conditions have greatly improved on account of the vigilance of police and the severe penalties imposed upon culprits. The railway station and the busy thoroughfares where these thieves operated so brazenly are now safe and peaceful. Where over twenty cases a day on an average were reported previously, there is hardly a case a day reported, so this shows a great improvement and is a

ducts which make up the greater portion of this country's exports.

At its present stage, then, the major significance of the cold war for Australian business does not lie in the impact of defence needs upon world prices and upon demands for Australian exports. It lies rather in the fact that the cold war is one more reason for making imperative a high level of productivity among the western nations so that living standards can be lifted and systems of industrial conscription avoided, and at the same time international obligations in the way of defence can be contained within stable economies. In so far as this policy is successful it must maintain a steady and strong demand for Australian products abroad, but as it offers a share of the benefits it also involves obligations. The fulfilment of Australia's obligations, which opponents of western ideals would like well to interrupt, lies as with other countries in enlarging its productivity so that it may bear without undue strain its part of the defence burden, and at the same time carry forward the offensive towards freer and better living conditions.

credit to the Canton police. But these petty larcenies seem to have given way to armed robberies that frequently take place within the city. It appears that the robbers live outside the city, and come in a group of ten or more armed men, hold up the victim, make their haul and swiftly disappear. They do not hesitate to shoot it out with the police when apprehended. So far there have been many of these robberies and the police have not been able to wipe it out.

10% Increase in Population

The last three months show an increase of people returning to Canton. It is estimated that the increase is about 10%. These consist of people who went away before Liberation and who had spent all their money in Hongkong or Macao and now have returned hoping to eke out a living in their hometown where they do not have to pay rent. Much against their will they are seeking jobs with the People's Govt, but most of them are swelling the number of the unemployed who economically are threatening the city. At present there are 340,000 workers registered with the People's Govt but only 1/3 of these are employed by the Govt in electric power plant, waterworks, sanitary board, steel and iron works, trucks and busses, mechanic factories, oil factories, chemical factories, printing shops, cement factories etc. The others are forming co-operatives in semi-govt sponsored businesses such as restaurants, cloth shops, tobacco factories, produce etc. Before a worker can be formally accepted by the Govt he has to go through a process of indoctrination. Each morning from 7 to 8 a.m. he has to attend class in the hope that he will learn the new rules and regulations and the essence of the doctrine of communism. He has to change his old way of thinking and learn the new way of life and to work entirely for his country and the People's Govt.

The Problem of Shop Space

With 60% shops closed, and thousands upon thousands of people having left the city, one would think that there would be plenty of shop premises available. In a sense it is true. But the average man cannot get a shop unless he pays up the back taxes that the former shopkeeper owed. These taxes comprise the 'temporary loan', victory bonds and income taxes. More often than not, these taxes run into sums that are equivalent to Hongkong dollars five to ten thousand, and the small businessman cannot afford to spend this sum. So in looking out for shop space, it is the custom to first ascertain how much back taxes are owing before one can decide.

Commodity Market Quiet

Although the currency is stable, goods are cheap and rice at a new low price, business is at a standstill. The people cannot afford to spend freely

like in the old days. Their first thoughts now are to buy rice, salt, oil and firewood and vegetables. Other things are considered luxury. Having paid out a temporary loan to the gov't and having bought Victory Bonds while no income is obtained most people find it difficult to make ends meet. Even the average gov't worker is no exception. Originally each month he got three piculs of white rice for eight hours per day work. The last three months his wages have been 'voluntarily' reduced by 30% with an additional four hours of work making it 12 hours work per day. This is especially in evidence regarding the Gov't factory workers and it has caused much discontent among them. When many of them threaten to give up their jobs, the gov't announced that no one could resign unless one secured a reliable substitute to take his place. Besides this, another rule stipulates that every worker must be guaranteed by three of his fellow workers. If one worker runs away, the three are held responsible, and will be fined. Strangely enough, this rule only governs workers under thirty years of age. Over this age they do not require any guarantee.

1950 Taxes

For the entire year of 1950, the People's Govt is to collect 880 million catties of rice from the Canton people. These consist of taxes from ricefields, reconstruction taxes and from other sources. The present population of Canton is estimated to be over half million and if an average is taken it will be seen that each citizen of Canton will have to pay about 1840 catties of rice equivalent to HK\$500. In pushing the Victory Bonds, past experience has shown the difficulties and hardships imposed upon the people as they did not have the money or the rice to buy. The future does not seem very bright and already the people of Canton are worrying as to how to avoid paying the taxes. Although the Communist leader Mao Tse-tung admonished the People's Govt to alleviate the imposition of heavy taxes, the Canton Governor Yip Kin-ying has informed the public that the taxes are necessary for the gov't so as to carry on with its program and thus there is no future sign of its reduction. The ones to suffer in the near future are those capitalists who did not leave Canton, those that are still carrying on business having failed to get permission to close their shops, and the small businessmen and the vendors.

Taxes Already Collected

It is estimated that since Liberation the People's Govt has collected from the Canton people:

24 million Hongkong dollars (being the equivalent of People's dollars) in business and industrial taxes.

32 million Hongkong dollars (being the equivalent in PB\$) in Victory Bonds.

New taxes to be imposed to make up part of the 880 million catties of rice is as follows:

On all residential buildings according to their value 20%.

On all business premises according to their value 15%.

Industrial factories taxes will be increased 5% in addition.

Business taxes will be increased 10% in addition.

Property owners will be taxed for their property 30%.

Other taxes will remain the same until further notice.

When the above list of new taxes was announced, it caused uneasiness among the Canton people. The majority of the businessmen are prepared to give up their businesses and do not want to continue. In answer to this the People's gov't has announced that permission for suspension of business will not be issued now. Another announcement has warned businessmen not to remove goods from their shops; and those without a permit to close down, must continue to carry on as usual. The vice-mayor of Canton, Mr. Chu Kwong, candidly stated publicly; "Many businessmen of Canton are thinking up all kinds of tricks to avoid paying or delay paying their taxes. Some have even tried to run away from their responsibilities. But they do not realise that the People's Gov't has ways and means to deal with defaulters. In other words, the taxes must be paid and the Gov't will not tolerate any trickery by the people."

Following upon the heels of this announcement, Governor Yip Kin-ying said publicly; "The payment of taxes will not be so hard pressed as before but they must be eventually paid. Those who cannot pay at present must acknowledge their debt and try to pay up as soon as they can."

No Luxury: No Class

All the better class hotels in Canton have become the People's hotels. The former exclusive restaurants have become the People's restaurants. The prices of these have been greatly reduced for the benefit of the many and not for the exclusive few. This is true also in theatre entertainment where a small sum only is charged for general admission. Lip-stick, powder, Nylon stockings, silks, shark-fins, abalone and other expensive things are considered a sinful waste and are tabooed. The elaborate Chinese dinners that were so popular and given at weddings and at birthday parties are no more. The food served nowadays is simple and quite inexpensive in keeping with the Red Doctrine.

Manual labor is emphasized more than scholarship. Students are encouraged to work in the fields to increase production rather than spend their time in school. When in school, the students debate and argue for hours rather than study books quietly and learn their lessons.

Students

Before Liberation the word Communist sounded magic to the students' ears. They welcomed a change of govt and yearned for what they had read. They believed that after Liberation, the prevailing ill conditions would change overnight, and that is why the students jumped with joy in their Yang Ko dance and sang until they were hoarse the Yang Ko Songs. They shouted: "Down with rank and class"; "Revolutionize Society"; "Divide the Land among the People"; "Kill capitalism and Imperialism"; and other such slogans. Now after nine months of Liberation, the students find that their homes are impoverished by heavy taxes, their parents cannot earn enough to support the family, their friends and relatives are suffering from privation. Despite the cheapness of commodities and foodstuff, no money can be earned. These conditions have set the students thinking and they are now sadly disillusioned. The constant reminder: "Work for your leader", "Stick to One Side", "Don't Love Your Parents, Love Your Country" have sickened the students so that many of them who spent money in buying a Yang Ko (Waist Drum) have savagely chopped it up and consigned it to the fire. One seldom sees the students singing and dancing in the streets which was so prevalent several months ago. Even the progressive book shops that were so crowded with students browsing over Communist literature are now deserted. The Han-Min Bookshop that sold this kind of literature was the popular meeting place for students, but today it looks forlorn and empty.

Cost of Living

Compared to Hongkong, food is very cheap in Canton. For a family of five persons it will cost PB\$ half a million per month, equivalent to HK\$96. For this price the food and rice are of a good quality and three meals a day. In Hongkong it costs this much to buy only one picul of rice. To eat at a restaurant a fairly nice dinner will cost about HK\$1 or 80 cents per person. A plate of chicken rice cost the equivalent of 50 HK cents while the same thing in Hongkong will cost HK\$3.50. Vegetables, pork and beef are plentiful and at a low price because of the convenience of easy transportation from interior to Canton city.

Severe Cut in Fares and Transportation

The steamer and wooden junk fares from Canton to Hongkong or to various Chinese towns have been severely slashed to only 20% of its original fares. This is due to scarcity of passengers and the keen competition be-

tween rival shipping firms. For instance fares from Canton to Shekki was originally PB\$40,000 first class; today it is slashed to only 10,000.

Canton Welcomes the Heroes' Return

The first batch of 5 thousand soldiers who liberated Hainan have just returned to Canton. The occasion was celebrated with marching through the streets; flag waving, Lion Dance and much singing of Communist songs. The soldiers eventually gathered at the Chungshan Park for a speech making ceremony. Over four thousand civilians gathered there. The Vice Mayor thanked the soldiers on behalf of the citizens of Canton for their bravery and asked them to keep up the high spirit for they will be called upon in the near future to liberate Taiwan. Leaders of fourteen Canton unions also made speeches and each presented the victorious army with a silk banner to commemorate the occasion. After the ceremony, a program of entertainment was presented on the spot, and free tickets to a movie for the following day were distributed among the soldiers. It is rumored that these soldiers will leave shortly for North China and may be eventually called upon to proceed to North Korea.

The Korean War

Most of the Korean war news is censored in Canton, though there is no ban on Hongkong newspapers in the city. The common belief is that United States and Russia in Korea are actually at war with each other, and the people believe that the Third World War will surely come. There has been a constant uneasiness among the populace that has led a great number of them to lay in stocks of staples and rice in their homes in case of emergency. This sudden snatch-buying caused a mild kind of panic and prices rose from 10% to 30%. This is especially true for salted cabbage, dried meats, preserves, oil and rice. Kerosene, wood for fuel, and chemicals have also risen in price. Foreign made goods and the more expensive kind of commodities have been mostly withdrawn by the shops and stored away, as merchants prefer to keep goods rather than the Chinese banknotes.

Fishermen Hard-Hit

Of all the trades the Canton fishermen have suffered the most. Ever since Liberation, it is said more than three thousand fishermen have lost their lives. In normal times, the fishing junks had their haven at the mouth of the Pearl River what was known as the Fishermen's Village. Registered under the Nationalist Govt were over eight thousand junks and each year it was estimated that 100 million catties of fish were caught in South China waters. This was considered one of the three large fishing units of South China. When the Nationalists evacuated Canton many of these large wooden junks were commandeered and have not been heard of again. Then the blockade stopped the junks going

out to sea. Those that ignored the blockade orders were fired upon and their crafts sunk. As the People's Govt become consolidated in Canton, fishing junks were required to re-register and the govt started commandeering the fishing crafts indiscriminately which threw fear into the hearts of the fishermen, for their crafts were their means of livelihood. Most of those commandeered were sent to Hainan. Thus started a wholesale exodus of fishing junks from the Pearl River. Some went to Hongkong and more went to Macao to seek refuge. According to the Fishermen's Union, the large and small crafts at present have taken flight number twenty-five hundred; only a third of the original number of eight thousand junks. The present number of fishing population is 160,000 compared to 200,000 pre-Liberation. The first week in July, the People's Govt sent notices to the fishermen to return to Canton, and informed them that the Govt has allotted Lap Sap Mei island and several bays in Chungshan as their haven. The deadline for their return is July 18th. Those that do not return before the deadline, their junks will be seized and confiscated. Besides this a restriction is placed upon Salt Fish being imported into Canton or Chungshan from Hongkong and Macao. This restriction governs even one single fish for private consumption. The Fishermen's Union petitioned the People's Govt asking the reason and suggested that instead of the restriction, a tax on salt fish should be imposed. But the Govt replied that unless all the fishing junks returned to Canton waters, there was no room for discussion. The fishermen are now in a quandary.

Smokeless Railway Workers

The Canton Railway authorities have informed their staff and workers to give up cigarette smoking. Three months is given as the deadline for the workers who smoke to cut off the habit. Posters telling about the evil and poisonous effects of smoke are posted all over the railway depots. These say "Smoking delays work efficiency and hinders the increase of production. Any employee found smoking cigarettes after September 30th will be dismissed from service."

Informers' Paradise

Canton has become a paradise for informers. The People's Govt has announced that any secret information handed in that is of value will be handsomely rewarded. Soldiers and the people are asked about information regarding smuggling, illegal buying and selling, espionage, counterfeiting, possession of arms illegally, speculation, or planned robberies. Those with the information should report to any of the Govt's offices or to the People's Bank, or the Public Safety Bureau, or the nearest police station. If informed by letter, such letter will be regarded as confidential and must bear the real name and address of the informer. The name of the culprit must be clearly

China's Industrial & Business Conditions

A summary of the official report of the National Conference of the Directors of the Bureaux of Commerce & Industries held in mid-May in Peking under the chairmanship of Mr. Chen Yuin, Chairman of the Central Financial & Economic Commission and Vice-Chairman of the Central People's Government.

stated with address and other detailed information. If through the information the case is brought to book, the informer will be rewarded according to the value of the information.

Hongkong banknotes and foreign currencies are illegal even in one's possession and each day there are one or more cases where travellers have been searched and had their foreign notes confiscated besides being fined. Wharf coolies and shoe-shine boys are widely used as informers and have been instrumental in effecting many arrests.

Treasured Prescriptions Offered to the Public

In keeping with the new way of life, 27 leading Canton herbalists (Chinese doctors) have brought out their treasured family prescriptions to have them published for the benefit of the general public. It was the custom in the old days for doctors to keep their efficacious prescriptions a secret, and hand them down from father to son, as China had no effective patent law to protect the owners' interest. Therefore, through the centuries many valuable prescriptions were either lost or had died with the doctor. Now this movement, led by Doctor Poon Shiu-Cho has resulted in the 27 doctors unselfishly offering almost one hundred "ancestor-inherited" prescriptions that will shortly be published in book form for the benefit of science and the people.

Anti-American Movement

Indignant over United States' interference in Korea, the People's Govt on July 18th announced that a rally of all the people in Canton should be called to express their opposition. The list of unions called on to participate reads as follows: — The City Headquarters Union, City School Union, The Teachers' Union, The Women's Union, The Industry and Trade Unions, Newspaper Union and another dozen unions. The 23rd July was scheduled for a general meeting of all the leaders of these unions and on July 24th, each union will hold meetings at their union quarters. Speeches will be made to denounce America for her invasion of Korea and for her imperialistic designs in Asia. Handbills and pamphlets will be handed out in the streets; handbills will be distributed to all homes and shops. Newspapers will print slogans and full accounts of the American atrocities that were recently committed in Korea by American soldiers. It is estimated that 10,000 people will take part in this rally, all being members of the various unions.

Present Difficulties of Private Industrial & Commercial Enterprises

The difficulties of most private industrial and commercial enterprises in the last four months were caused by financial stringency and by the decline in marketing possibilities and by a general fall in production. It is estimated that the country's unemployed totalled 1,170,000 persons, arising from decline in production, retrenchment and suspension of industrial operations (of which 120,000 persons are in the Northeastern provinces). In the period between January and April 1950, 2,945 factories in 14 large cities closed their doors, and 9,347 commercial firms in 16 large cities suspended business. The difficulties are greater in large than in small cities, and the difficulties of industrial enterprises are far greater than those of commercial enterprises.

The main cause was a general decline in buying demands and a general decrease in sales due to: (a) the inflationary trends having been halted and the "unreal" purchasing power having fallen off. There was a plethora of goods accompanied by an increase in production. In the period of inflation the relationship between the productive capacity and the output of goods was maintained, due to general purchasing for hoarding and profiteering purposes.

(b) after V-J Day China's national economy was cut up into various independent economic units, each seeking for its own self-sufficiency as new forces of production were growing and expanding. But at present the national economy has been brought under centralised control and the situation has changed altogether. It is no longer possible for the industries to seek a monopoly of the domestic markets, as it was possible some 12 to 13 years ago.

(c) the productive capacity and the wasteful expenditures have become unbalanced; the purchasing power of the city dwellers has fallen off, while the purchasing power of the farmers has not yet been raised. The manufactured goods now produced do not correspond to or meet the real demands of the farming population. The industries must hereafter cater to the tastes of the farmers as otherwise the domestic market will provide no outlets to industrial goods.

Purchasing Power of the Chinese

The number of workers on the payroll of the Central People's Government totals 2,400,000 (of which 1,200,000 persons are in the army). The purchasing power of these classes of persons is far below that of the Nationalist Government officials and army officers and men. There are about 2,000,000 landlords in the country, and 500,000 civil servants and members of the teaching profession, and another 500,000 persons engaged in the "speculative profession." The purchasing power of these classes of persons has fallen off.

The average monthly purchasing power of each of these persons is equi-

valent to the value of 300 catties of millet (P\$300,000). The average monthly purchasing power of these persons collectively is therefore equivalent in value to (6,600,000 persons) 1,980,000,000 catties of millet. Their collective purchasing power per year is equivalent in value to 23,000,000,000 catties of millet.

The average monthly purchasing power of city dwellers per capita is 70 catties of millet. The number of city dwellers for the whole country is 90,000,000 persons, so that their average monthly purchasing power is the equivalent of 63,000,000,000 catties of millet. Their average yearly purchasing power is equivalent in value to 756,000,000,000 catties of millet, plus the yearly purchasing power of the civil servants which is equivalent to 230,000,000,000 catties of millet. The purchasing power of the city dwellers per year is between 100,000,000,000 and 110,000,000,000 catties of millet.

In general it is estimated that the collective purchasing power of the nation has fallen off at least by 20 percent.

The purchasing power of the nation will be restored only after the programme of agrarian reform has been fulfilled, because the purchasing power of the peasants is of primary importance. The national production of rice and miscellaneous foodstuffs is 240,000,000,000 catties, but 40 percent of the arable land belong to the landlords. After the agrarian reform the purchasing power of the peasants may be increased to the equivalent of 28,000,000,000 catties of millet. If the system of transport and communications to the outlying provinces could be improved, the national purchasing power could be further increased to the equivalent of 9,000,000,000 catties of millet, and the total expected increase in the purchasing power of the peasants would then be equivalent 62,000,000,000 catties of millet.

During the period of transition in the next three to five years, attention however, should be paid to the following factors: (a) that the conditions in the Manchurian provinces are different from those prevailing in the provinces south of the Great Wall—namely, foodstuffs in the Manchurian provinces are much cheaper and piecegoods much more expensive, which fact accounts for the heavy purchases of piecegoods when prices were lowered and secondly the Manchurian peasants have been allotted more land than have the farmers in the provinces lying south of the Great Wall and (b) though the Nationalist naval blockade has been lifted, a general revival of the import-export trade in Shanghai is not to be expected because whereas formerly trade was conducted for the benefit of the Imperialists, it is now being conducted for the benefit of the Chinese people.

Solution of Economic Difficulties

The essential industries or those that have a bearing upon and are beneficial to the livelihood of the people or to the country, must be maintained.

Government will allot raw materials to the industries against delivery of finished goods or place advance orders for the purchase of such goods or make direct purchases of existing stocks of goods of the factories concerned as a means of enabling the factories to continue in operation.

Marketing of industrial goods will be promoted (a) through government purchase of farm produce (b) encouraging exports (c) solve the shortage of capital for the industries (d) persuade private industries to reorganise their business policy and administration (e) provide relief to unemployed workers engaged in the essential industries (f) stabilise commodity prices (g) government to announce regularly what industries are overproducing and whether production has reached the saturation point. and (h) evacuation of surplus factories to the Chinese hinterland.

Readjustment of Private & State Industrial Relations

The readjustment of the relationship between State and private industries shall conform to the provisions of Articles 26 and 40 of the Common Platform of the Political Consultative Committee viz. :—

"The fundamental policy for the economic reconstruction of the Chinese People's Democratic Republic shall be to pay due regard to State and private enterprises and to promote the mutual interests of capital and labour and the interdependence of cities and rural areas in the inter-change of commodities and goods, with the aim of achieving the development of production and the revival of economic prosperity. The State shall, within the scope of its authority, furnish supplies of raw materials, aid the marketing of goods and farm produce, and lay down the necessary conditions for labour, improve technical equipment, and, through the State's financial policy, readjust the State-operated enterprises, the co-operative enterprises and the handicraft economy of the farmers; and under the policy of aiding the development of private capitalism and State capitalism, at one and the same time, each and every economic unit of the country may co-operate with one another through a division of labour and direct its efforts towards the general economic development of the country under the leadership of the State."

Mr. Chen Yun has instructed the government officials concerned not to slight or underrate the private industries and commercial enterprises but to treat them on an equal footing with the State industries and enterprises. The State-operated industries and commercial enterprises shall also join the membership of the private industrial associations and trade guilds.

The following measures should be adopted for the readjustment of the relations between State and private enterprises :—

(1) State enterprises shall allocate contracts to private factories and make increased purchases from private fac-

ories, the allocations to be subject to half-yearly review and revisions. Private textile mills should particularly be aided in this regard... During May this year 955,600 cotton spindles were working, and during June the number is expected to be increased to 1,620,000 spindles, under increased allocation of raw cotton to private textile mills in exchange for piecegoods. Thus during May only 47.1 percent of the total number of private spindles were in operation as against 81.5% expected during June. Domestic production of cotton has been inadequate, and consequently the government had imported 90,000 tons of foreign cotton valued at P800,000,000,000.

(2) Encouraging export — through reduction of freight charges and of the general taxes, etc.,

(3) Regulation of the commodity markets through proper government measures.

(4) According to market conditions and needs, the government shall purchase farm produce; purchases for the month of May 1950 were valued at P\$220,000,000,000.

(5) Government shall sign contracts with private and State factories for the production of industrial goods, payments to be determined according to local conditions, but both State and private factories to be paid on the same and equal scale of prices.

(6) Advance orders to be placed with factories—in this connexion, the competent State trading agencies have earmarked funds equivalent in value to 900,000,000 catties of millet for the purchase of finished goods. Allocation to State industries of purchase funds amounts to 47.2 percent of their total productive capacity while allocation to private industries represents 42.5 percent of their total productive capacity.

(7) The government shall exercise control and general supervision over the industrial output of the various industrial centres concerned.

State & Private Commercial Enterprises

Chairman Chen Yun of the Central Financial & Economic Commission of the Central People's Government (Finance Minister) has recommended as follows:—

(1) that for an indefinite period of time private commercial enterprises shall remain indispensable. The Common Platform of the Political Consultative Committee states as follows: "All the legitimate State and private trade shall be given protection." There is no thought or intention of having the State commercial enterprises displacing the private commercial enterprises. But many Communist Party members have failed to pay heed to the necessity for the continued existence of private commercial enterprises. Chairman Chen Yun pointed out: "We should know that China is a large country of low production. There should be a period of transition, but since the State commercial enterprises and the co-operative societies have not been able to fulfil their mission, we must still place great reliance upon the private commercial enterprises."

(2) that readjustment of the relations between State and private commercial enterprises mainly concerns the fixing of prices. In principle prices at the producing centres should be lower than prices at the marketing centres and the wholesale prices should be lower than the retail prices, so that private merchants may earn their profits.

(4) that the function of State trading companies in the farming areas is to purchase farm produce and certain items of subsidiary produce, and to determine and fix the buying and selling prices for the produce.

(5) that encouragement should be given to private commercial firms and co-operative societies to facilitate and promote the uninterrupted inter-change of farm produce and finished goods between the rural and urban areas. Such an inter-change of farm produce and industrial goods will benefit the farmers, but attention should be paid to the following: (a) the purchasing power of the consumers (b) the legitimate profits of private merchants and (c) the interests and welfare of the farmers.

(6) Concerning the relations between State and private commercial banks, the Conference decided as follows:—

(a) that private commercial banks shall intensify joint participation with State banks in extending loans to industrial enterprises, etc.,

(b) that private commercial banks shall co-operate with State banks in forming joint investment companies.

(c) that the commercial coal loan rate be reduced to benefit private industries and commercial enterprises, although the Conference took note of the fact that in doing this the private commercial banks would suffer; the Conference recommended that the matter be given fuller study so as to safeguard the interests of private commercial banks.

(d) that the Shanghai Stock Market can not be re-opened owing to the "special conditions" prevailing in that port-city, although the stock market in Tientsin and Peking has been resumed.

(e) that State banks shall continue to accept U.S. dollar cash notes from the public in exchange for People's Banknotes. The Conference, however, decided that the Government could not make large purchases of gold bars, nor could the government give consideration at present to the purchase of silver dollars.

(f) that there is need for the existence of private commercial banks, but their number should not be so large as during the period of inflation. Private banks may consider the steps to be taken for their own liquidation. Proposals have been submitted that some of the private commercial banks be reorganised into semi-official banks, but the present financial condition of the Government does not permit such steps to be taken, although the government would welcome the sincere co-operation of the private commercial banks concerned.

State Revenue & Government Bonds

(a) Revenue: On the question whether the system of "democratic appraisal" be adopted or taxes be collected on the basis of financial reports submitted by the private firms concerned, the Conference decided that in future taxes should be graded and that their scale determined and fixed, and all other additional tax procedure should be dispensed with. The Conference decided that the scale of taxes is not too heavy, but they are not light judged from the present economic difficulties.

(b) Gov't Bonds: For the period ended May 15, 1950, 85,000,000 shares of the "Victory Bonds" had been sold throughout the country, representing 85 percent of the original objective. The sale of the Bonds resulted in achieving financial stability and commodity market stability. But during the sale of the Bonds, extreme measures were resorted to: in certain cases too heavy a burden was imposed, while in others the burden was too light.

About the second instalment of the "Victory Bonds" to be issued, the Central Financial and Economic Commission of the Central People's Government recommends that in view of the recall of large quantities of banknotes it is not practical to issue the second instalment of the "Victory Bonds," and it has recommended to the Central Administrative Council (Cabinet) not to issue the "Victory Bonds" for the time being.

Private Investment and Private Enterprises

The former conditions which favoured investments no longer exist, but the new conditions which might conduce to investments have not been officially announced, so that private industrialists and merchants are at a loss to know what to do. The Conference had discussed the matter, and in general, laid down that investment companies may take the form of limited liabilities companies, the laws for which will shortly be announced by the Central People's Government. The regulations governing payment of dividends will also be officially announced. The draft of the proposals governing investment companies are now being studied by the competent government authorities and will be officially announced in due course.

As regards the work of directing and supervising the various kinds of private industries, this is being undertaken by the bureau of industry and commerce in the various cities concerned, and it is proposed to amalgamate the various independent bureaux for the purpose of adjusting the relationships between State-operated and private industrial and commercial enterprises. The final decision, however, will be made shortly by the Central Administrative Council.

FINANCIAL REPORTS

HONGKONG FREE MARKET

Review for the week July 17 — 22:—

GOLD:— Highest & lowest rates per .945 fine gold bar, per tael of 1.2033 ozs troy, \$306 — 293½, equiv. to .99 fine tael and oz prices of \$320.57 — 307.47 and \$266.41 — 255.52 respectively. Crossrates US\$ 43 high, 41½ low.

(1947 and 1948 highest & lowest prices and crossrates: gold per .99 fine tael \$405 — 254, US\$ 57½ — 44 for the year 1947; and \$372 — 282½, US\$ 54½ — 45½ for the year 1948).

Canton and Macao .99 fine gold rates of last week, in HK\$, 303 — 295 and 305½ — 293½ respectively.

Forward transactions: 378,000 taels of .945 fine (daily average 63,000 taels). Daily position left open per day 166,500 taels. (Oversold were importers, interest holding forward operators; overbought were Shanghai and local speculators; Swatow and Canton operators who were first oversold, covered at the close of the week).

Cash bars sold during the week: 44,490 taels officially listed in the Exchange and 15,000 taels traded in the private market. Of the total amount as above about 50,000 taels were taken up by interest hedging forward sellers; 5500 were melted down by goldsmiths for supply of ornamental requirements; and 4000 exported—about half each to Bangkok and Singapore. Imports totaled 14,000 taels arriving all from Macao.

Differences paid for certified .99 fine bars above .945 fine bars ranged from \$13.80-14 (uncertified bars around \$13).

Forward interest, in favor of sellers, totaled \$0.66 per tael (about 11% p.a. yield), a moderate amount compared with Macao's interest of \$2.09 (though for .99 fine gold), about 3 times higher than in Hongkong.

Macao Govt so far issued import licences for 250,000 ozs and is amenable to issue any amount of licences required (one licence covers 50,000 ozs). Around 150,000 ozs have already arrived in Macao from where supplies reached Hongkong (with some confiscations by Hongkong Revenue officers reported), the rest either dispatched to China or stored in Macao. Weekly new arrivals, are reported in Macao and the price there has dropped below Hongkong's. Most bullion shipped to Macao was purchased below US\$41 ctf Macao. China markets have reacted in a bullish manner but Macao is still dearer than Canton or Shanghai; it is therefore assumed that direct Macao exports to China were few and done by irregular rather than the organised groups.

Practically all recently imported gold has been absorbed by hoarders in Hongkong some of whom prefer to keep their bullion in the Portuguese colony where no restrictions on possession and trading are imposed. Idle funds, always abundantly available in Hongkong, have found new outlet in gold hoarding; whether investors will even-

tually be glad about their purchases, effected above world market prices, remains to be seen. The new hoarders seem to be satisfied with having put away some of their funds, both in HK and US currency, in the precious metal, arguing that another war is now shaping and that before autumn 1951 a world-wide conflict will have started. Under such pessimistic though not illogical presumptions the hoarding of gold may appear not altogether unreasonable. Local hoarders are almost exclusively Chinese, the majority of whom having arrived here in the last 2 years. These people are reluctant to invest in anything, even on a very short term basis; they insist on keeping 100% liquid but as confidence in the stability of both sterling and US\$ is waning — particularly when seeing the rise in commodity prices in the US — the possession of gold appears once again as the only reliable anchor in a disintegrating world.

Highest & lowest .945 fine tael gold and TT New York rates:—

July	Gold		US\$	
	high	low	high	low
17	\$301½	294¾	614¾	613¾
18	301¼	295½	615¾	614
19	300	293¾	615	614
20	298¾	293½	615	614
21	303½	295½	617½	615
22	306	301	619¾	618

US\$:— Highest & lowest rates \$614¼ — 607½ for notes, 616—609 for drafts, 619¾ — 613½ for TT, equiv. to crossrates of US\$2.581 — 2.608.

(1947 and 1948 highest & lowest TT and cross rates: — in 1947 TT \$595 — 482, crosses 3.32 — 2.69; in 1948 TT \$608 — 478, crosses 3.35 — 2.62).

Last week's sales: TT sector US\$ 680,000, DD and notes US\$ 830,000.

Market tendency was firm resulting from gold importers' demand and withholding of certain sellers who speculate a la hausse, being induced to do so mainly by reported increased gold imports in the near future. Chinese Govt agents were also strong buyers as funds are needed for paying of 'essential' commodities (many of which believed to be of direct use to the military). Ordinary merchant demand was brisker than usual, a direct consequence of the rising price tendency on commodity markets where heavy buying, largely by China brought down the heavy stock position. Local trade is again buoyant though profit margins are moderate.

Sellers of US\$ were Bangkok merchants (who obtain here better rates than in their own free market for which they have to thank the gold importers) and overseas Chinese remittances who obtained funds from their relatives and friends in the US and Manila. Some gold hoarders have disinvested themselves of funds in New York preferring to keep gold nearer to their homes than is the case with bank accounts in the US.

SILVER:— Prices per 99 fine tael \$4.61 — 4.62, per dollar coin \$2.90 — 2.94½, per twenty cents coins \$2.25 — 2.26.

Market is stagnant with only 74,000 taels (mainly coins) transacted. At current prices exports should be profitable especially to the US (though local Exchange Control demands 25% of proceeds to be surrendered at official rate); the New York price remains unchanged at 72¼ US cts. per fine oz but the local TT New York has risen to HK\$619. Exporters are however hesitant to ship to America in spite of the large profit margin, the reason for their passivity being the difficulty to obtain from commercial banks adequate funds to finance their purchases here; the conclusion of a transaction, from the purchase of silver in the local market to the remittance of proceeds from the New York bank, takes about 3 months, a period of time considered too long by bankers here to advance, more or less, 100%. Most silver exporters, with the exception of a few firms with world-wide bullion connections, do not possess funds of their own.

BANK NOTES & DD RATES:— Banknote rates (per 100 units): Indonesia 12, Indonesia, Nica notes 2 — 2½, Java notes 1.20 — 1.70, Thailand 27.30. (per one unit) British pound 15.56 15.65, Australia 12.05 — 12.22, Canada 5.39 — 5.41, India 1.02½ — 1.04¼, Burma .77 — .78, Ceylon .95 — .96, Malaya 1.71½ — 1.73, Philippines 2.26 — 2.28.

DD business in Philippine pesos and Malayan dollars declined to only 120,000 pesos and Mal. \$170,000, done around \$2.80 per peso and Mal. \$55½ per HK\$100. There is a tendency on the part of many native banks to discontinue doing business in drafts on various Far Eastern places as competition is too heavy and profits, consequently, too small. Free market exchange rates on Jakarta are rarely quoted as the Indonesian exchange control has proved very efficient; it is mostly overseas Chinese in Java who handle exchange there but they are now moving cautiously lest they incur the wrath of the new authorities.

JAPANESE EXCHANGE:— A few weeks ago the value of the Japanese yen was steadily appreciating and it looked as if the official and free market rates would soon meet. However the outbreak of the hostilities in Korea with the resultant confidence crisis among investors has also had its effect on the yen which was discarded by big financial interests who had previously, in anticipation of the general public's appreciation of the yen, bought against US\$ large amounts and opened yen accounts in Japanese banks. The political developments and the danger in which financiers believed the Far East now to be plunged, caused dishoarding of yen and reinvestment in US\$. Against the official rate in Tokyo (360 yen per US\$) the current black market quotes 420 yen, or almost 17% premium.

In Hongkong similar developments took place with the yen dropping in terms of HK\$. From a high in June of \$15.25 per 10,000 yen, the rate declined

until 2 weeks ago it reached \$11.30 (or 86.95 yen per HK\$ against a par value of 65.75 yen per HK\$). Last week the rate recovered to \$13.50 (74.07 yen per HK\$) which amounts to a 12¼% premium over the parity.

The Japanese economy is sound and the currency is well managed. There should be no reason for discounting the yen on free markets abroad. Earlier reports this year anticipated the conclusion of a peace treaty, though only with the US and the countries allied with or following it. The Korean war seems to have made a postponement of this treaty necessary—a most disappointing development from the general Japanese point of view. It is also most embarrassing for the US and its policy to befriend Japan that the preparation of a Japanese peace treaty has been shelved. Its political implications are wide while US-Japanese cooperation may suffer in future as a consequence of this delay, the immediate economic effects on Japan will not be adverse. Continued and probably increased assistance by America must be expected and further return of authority to the Japanese govt, short of ordering the US military out of the occupied country, should lead to increase in confidence of the world in the stability of Japan. The exchange rate of the yen is realistic and though there are clamors among certain Jap-

anese manufacturing interests to lower the rate, following sterling devaluation, the overall interests of the Japanese economy would not be served well if such interests would eventually prevail.

CHINESE EXCHANGE:— During the week ending July 22, the Shanghai black market continued to show activity and more purchases of US notes and funds in New York were reported. The rate went up to PB\$ 55,000 (against officially 37,500), or 46% above the Bank of China buying price. Oddly, other foreign currencies were not in demand and even the HK\$ was not transacted.

The Korean war situation has caused some anxiety and the possibility of war actions involving China and the US is discussed. If the interference by America in the Chinese civil war (i.e. sending the US fleet into the Taiwan straits with the avowed purpose of

preventing the Chinese People's forces to attempt an invasion of that island) would not have happened, the public might have taken a calmer view of the outbreak of the war in Korea and the financial markets would not have reacted so sharply. However the coupling of US intervention in Korea with the policy statement on Taiwan ('neutralising' Taiwan) has brought home to many the danger of the cold war suddenly exploding into world-wide warfare. In order to keep certain assets which may resist to some extent general price rises, i.e. advance in line, more or less, with commodity prices, a sector of the public in Shanghai has started to convert PB\$ accounts (or parity deposit savings) into gold and US\$.

Due to the taxation policy of the govt and the loan drives, the number and aggregate funds of investors have shrunk so that the present black

market activity in Shanghai, while of course disturbing to the public (who do learn about price movements very quickly), has had very little repercussions on the economy of the city. The authorities are taking no unusual steps to cope with the resumed black market activity as it is realised that it all amounts to nothing more than a flash in the pan. Prices have remained unaffected and supplies of essential consumer goods and, above all, food are ample—far above anything the public can absorb. The low salary policy of the govt has prepared the ground for a successful countering of any future attack of the black market.

In Hongkong, the business in PB\$ was quiet and rates unchanged; HK\$ 1.68-1.72 per PB\$ 10,000 were paid which is approx. the same as the official rate (free market about PB\$ 5880 per HK\$, officially 5800). There were reports in the market which could not be confirmed about some sales of PB\$ at the rate of PB\$ 6850 per HK\$—about 20% above the official rate. Gold appreciated in all China markets, following the higher price in Hongkong; but Canton, Shanghai etc. were still quoting much less than Hongkong.

Private remittances between Hongkong and China were done at the following rates:—Canton HK\$ 98.40-99.30 (per 100 in Canton); Swatow HK\$ 98-98½; Amoy, drafts in US\$ were sold at 4% above local rates; Shanghai, gold 92-93½, and US\$ 103-105 (per 100 in China). Deals were small; only remittances with Canton came to a larger amount, HK\$360,000 for the week.

Taiwan remittances were effected at the following rates:—gold 83½-85, and US\$ 94-95 (for 100 in Taiwan). Sales: 1100 taels of gold, US\$ 5000. KMT sources tried to instil confidence among Chinese by spreading rumor that there was some return of capital from Hongkong to Taiwan; the rates as quoted above prove the reverse.

A welcome development following the US intervention in the Peking-Taipei war was the virtual suspension of the blockade of China ports with the ensuing resumption of coastal shipping services as well as more active transport on rivers, canals and rail & highways in those parts of China geographically exposed to KMT air raids. Business with China has consequently progressed and commodities have been exchanged in big volume. As during recent months China's trade balance is active and exports continue to flow out of the country, there is growing foreign exchange earning by Peking with the resultant effect of stable exchange rates. Rates of the Bank of China have remained unchanged though it is reported again that a downward revision is planned—a report finding credence with merchants who have witnessed during recent months many times revisions of the PB\$, in every case the PB\$ rate improving in terms of foreign currencies.

SINO-SOVIET TRADE AGREEMENTS

The following agreements have so far been signed in Moscow between China and Soviet Russia: a trade agreement for 1950, a barter agreement for 1950, and a contract for the supply of Soviet industrial equipment to China in 1950-52. The barter agreement provided by the exchange of Soviet industrial goods for Chinese raw materials. Goods provided by the contract for 1950-52 will be paid for by the credit granted in February 1950.

BURMESE RICE EXPORTS

Burma has sold its entire estimated exportable rice surplus for 1950 at prices which were, on the average, £2 per ton higher than last year. Ceylon purchased 350,000 long tons of rice, Japan 170,000, and Indonesia 150,000. Negotiations have been completed for the sale of 100,000 tons to India. These quantities, plus the 100,000 tons already sold to private traders, account for 870,000 tons, or 40,000 tons more than the official estimated surplus for this year.

FOREIGN TRADE SPECIAL ACCOUNT OF JAPAN

Between the end of World War II and March 1949 (i.e., the end of the fiscal year 1948 and before a single exchange rate was decided upon in April 1949), Japan's imports were US\$1,742 million and exports were US\$655 million. Thus the trade deficit was US\$1,087 million.

All imports and exports were handled by a Foreign Trade Special Account to which the yield in Japanese yen from the sale of imports was credited and the purchase price of the exports was debited. Since Japan had such a large import surplus, the Special Account might have been expected to show a surplus; instead, it showed a deficit of 47,503 million yen, which has to be financed by subsidies and the Price Adjustment Fund. There were three reasons for this deficit: (1) The sale of imported commodities and the purchase of exported commodities did not follow world market prices. The former were valued at much lower prices and the latter at much higher prices. (2) There was a large accumulation of stocks of exportable goods and imported commodities. (3) Both imports and exports were handled by a hierarchy of Public Trade Corporations, and personnel and administrative expenses were heavy.

Since the beginning of the last fiscal year (April 1, 1949), the Foreign Trade Special Account has been broken up into several accounts, namely, the Trade Handling Account, Counterpart Fund Account, Price Adjustment Subsidy Account, and Public Corporations Expenditure Account. In December 1949, when foreign exchange control was established, a Foreign Exchange Fund Special Account was also set up, to handle foreign currencies.

JAPANESE REPARATIONS TO THE PHILIPPINES

According to SCAP figures, the Philippines have received not less than 33 million yen worth of reparations from

Hongkong Stock & Share Market

That buyers are most reluctant to enter the market has now been known for many months but since the outbreak of hostilities in Korea the lack of confidence in local securities has been further accentuated. Investors realise the unusual yield local shares offer but they also realise that further capital

Japan, under the interim reparation transfer enforced by the Far Eastern Commission during the past two years. (This was equivalent to about US\$7 million at the nominal exchange rate of 50 yen to one dollar at the time when the reparations figure was allocated). The last installment, consisting of heavy equipment for a shipyard and dry-dock, weighing approximately 1,000 measurement tons (1 measurement ton is equivalent to 40 cubic feet), was expected May 20. It is to be used for the giant government shipyard being established in Subic Bay, near Mariveles.

ECONOMIC TRENDS IN U.S.

Employment: Employment in the United States increased by 1,063,000 persons during May, to 59,731,000, the highest level since August 1949. Unemployment amounted to 3,016,000 — the lowest since April 1949. Commenting on the increase in employment, the Census Bureau pointed out that much of it was due to seasonal expansion in agriculture and construction. Farming accounted for 82 per cent of the increase.

Price Increases: Wholesale prices in the United States have risen sharply in the past two months, after a period of comparative stability since the autumn of 1949. The U.S. Department of Labour general index of spot primary market prices for 28 commodities rose from 246.7 (August 1939 = 100) on April 3 to 267.3 on June 2. The rise extended to a large group of domestic and imported agricultural and industrial commodities. For the two-month period, the major increases were in barley, from \$1.58 per bushel to \$1.66; cocoa beans, from 24 cents per pound to 31; corn, from \$1.38 per bushel to \$1.51; cotton, from 32 cents per pound to 34; hogs, from \$15.98 per cwt. to \$20.23; steers, from \$28.13 per cwt. to \$30.63; copper, from 18 cents per pound to 20; tin, from 74 cents per pound to 78; zinc, from 11 cents per pound to 15; rubber, from 21 cents per pound to 32; steel scrap, from \$24 per ton to \$33; and wool tops from \$1.87 per pound to \$2.24.

Commodity futures have also been rising. On May 31, the Dow-Jones index of futures reached the highest level since November 23, 1948, and the advance was the largest for any single session since March 27, 1950. Commodities whose future prices rose sharply are cocoa, cotton, wool, wheat, and hides; soybeans for July delivery rose 10 cents per bushel, the daily limit, and rubber futures at New York advanced 2 cents per pound, also the daily limit under exchange rules.

depreciation is possible. The bottom has not yet been reached though it was predicted many months ago. Unfortunately, for holders, prices ruled weak and the level went down, from month to month, the few rallies proving all futile. The question how to rescue the market from its pessimism has engaged the attention of financiers and company directors without however producing any answer; the basic remedy is to be found in the political field but as the general situation in the Far East has deteriorated and the outlook is anything but encouraging it is no wonder that capital has become ever more shy until today it can hardly be lured out from the bank vaults.

With buyers, as it were, on strike and holders unwilling to part with their possessions at current prices, the market is dead; the Exchange has now suspended afternoon trading as brokers have hardly any business to conduct during the morning session. Last week a turnover of \$396,045 was reported and of this amount Govt loans accounted for \$117,000. (Third quarter turnover totaled \$15,395,064). Most brokers are idle throughout the week.

The Stock Exchange Committee reported for the last week as follows:— 'After a quiet and uneventful week the market closed dull and neglected.' Even this short sentence appeared to market observers as an understatement.

The 'Korean situation' is now the main topic in the market having temporarily pushed into the background the 'China situation.' As the US forces are withdrawing and it is assumed that before long the evacuation of these forces will be undertaken, the prospects for peace in Korea appear dim. The US will have to press the campaign even after evacuation, probably rallying for an amphibious landing within a few months' preparation. Why local investors should consider the current developments and the future outlook in Korea as discouraging for putting money into local shares is quite puzzling. And why there are still sellers, other than forced liquidations, is another matter which seems to confuse market commentators. The fact, nevertheless, remains that US reverses in Korea are interpreted as a bearish factor; it now remains to be seen whether future US successes in Korea will cause a buying spree.

For the time being holders keep impassively aloof from the market — though it is whispered that some stalwarts are adding to their portfolios — while buying interest has to be kept alive by offering shares at slowly declining rates.

Singapore Shares Up

The feature of the week was the unprecedented rise in the price of Tin from \$314¼ last week to \$365.00 on Friday. Friday's price was the highest ever paid on the Singapore market, but it should be observed that in terms of

US currency the price is considerably below the rate of \$1.03 per lb. which obtained before devaluation last year. Events in Korea were such as to preclude a bullish share market but even so the likely effect of the rise on mine profits is so spectacular that numerous buyers have come in for Tins and the good volume in this section provided the bulk of the week's business.

Within fairly narrow limits the rubber commodity fluctuated almost hourly on bulletins from the Korean front, ranging between 87½ cents and 91½ cents per lb. Rubber shares, however, were quite neglected and the few parcels dealt in went through at prices which must appear extraordinarily attractive to the purchasers.

Industrials moved irregularly in a quiet market, but there was increased buying interest which resulted in yet more overseas holdings passing into local hands.

Prices for Local Loans remained steady throughout and there was an average turnover. The renewed interest in Australian Loans probably derived from Mr. Menzies mission abroad with a retinue including financial experts. The raising of a U.S. Dollar Loan is said to be among his objects and this, if secured, will it is claimed, affect Commonwealth policy in the exchange rate.

Prices of industrial shares moved within the following limits during the week ending on 15th July:—

	Buyers (\$ M.)	Sellers (\$ M.)	% Yield base on last year's dividend
Singapore 3% Rehabil. 1946	90	91.50	—
Malayan Union 3% 1946	90	91.50	—
Alexandra Brickworks Ltd.,	2.20	2.25 (x.d.)	8.9
Consolidated Tin Smelters, Ltd.,	16/3	17/6 (x.d.)	9.5
(Sterling denomination)			
Fraser & Neave, Ltd.,	2.90	3.05	6.9
Gammon (Malaya) Ltd.,	2.22½	2.27½	13.2
Henry Waugh & Co., Ltd.,	1.95	2	12.7
H.K. & S. Banking Corporation	655	675 (c.d.)	6.3
Malayan Breweries, Ltd.,	4.90	5	6
Malayan Collieries, Ltd.,	1.60	1.70	5.9
McAlister & Co., Ltd.,	33	39	6.4
Overseas Assurance Corp., Ltd.,	10.75	11.23	2.7
Oversea Chinese Banking Corp., Ltd.,	62.75	63.25 (x.d.)	4.8
Raffles Hotel, Ltd.,	2.55	2.65	7.5
Singapore Cold Storage Co., Ltd.,	4.45	4.55	6.7
Singapore Traction, Co., Ltd.,	13/-	14/-	—
(Sterling denomination)			
Straits Steamship Co., Ltd.,	15.23	15.73	6.3
Straits Trading Co., Ltd.,	12	13	5.8
Union Insurance Society of Canton Ltd.,	310	320	4.4
Wearne Brothers, Ltd.,	2.45	2.55	9.8

COMMERCIAL MARKETS

Sales of Fuel Oil to China

The checking by the Hongkong Government of stocks of Fuel Oil held in the Colony has involved, for the time being at all events, a suspension of sales to the Chinese mainland irrespective of whether purchases have been fully paid for or a deposit made.

In due course it will become clear whether it will be possible to resume such sales at a later date.

South China Trade

Following upon a request by Cantonese manufacturers and merchants that they should be allowed allocations of foreign exchange, the South China Foreign Trade Bureau has agreed to allow the importation of 26 commodities during the quarter beginning with July against officially allocated foreign exchange. The commodities are: Capital equipment—machines, tools, motor vehicles, motor vehicle spare parts and electrical materials; Industrial Chemicals—phosphorous red, bleaching powder, artificial indigo, paraffin wax, rubber, tyres, polystyrene molding compound, dyestuffs and vaseline; Petroleum Products—gasoline, lubricating oil; Metals and Minerals—galvanized wire, zinc sheet, blackplate waste, tin plate; Fibre Products—raw cotton, gunny bags and rattan; Daily Necessities—medical instruments and pharmaceuticals.

Indian Trade

The trade of India during the six months April to September 1949, according to figures issued by the Indian Ministry of Commerce, totalled Rs. 5,088,308,267 compared with Rs. 4,425,271,294 for the same period in 1948 and Rs. 3,975,129,762 for April/Sept. 1947 (Rs. 1 equals 1s. 6d. or US 21 cents), increase of 15% and 28% respectively. Imports amounted to Rs. 3,228,334,780 (1948 Rs. 2,325,171,582; 1947 Rs. 2,098,122,783); exports totalled Rs. 1,859,973,487 (1948 Rs. 2,100,099,712; 1947 Rs. 1,877,006,979), showing an import excess of Rs. 1,368,361,293 (1948 Rs. 225,081,870; 1947 Rs. 238,149,296).

Imports from the United States took first place, followed by Egypt, Japan, Iran, Burma, and Italy, as shown below:—

	Imports (millions)		
	1949 Rs.	1948 Rs.	1947 Rs.
U. S. A.	503.2	535.3	675.2
Egypt	207.8	106.5	103.8
Japan	175.4	4.2	0.1
Iran	154.3	105.5	111.6
Burma	110.1	119.2	—
Italy	104.9	85.4	44.3

Imports from China totalled Rs. 3.4 million (1948 Rs. 8.8 m., 1947 Rs. 12.5 m.), from Argentina the amount was Rs. 75.3 m. (1948 Rs. 26.9 m., 1947 Rs. 3.9 m.), and from Thailand imports were valued at Rs. 59.8 m. (1948 Rs. 17.6 m., 1947 Rs. 3.7 m.).

The direction of exports showed Great Britain as coming first, followed by the USA, Australia, Pakistan (West and East) and Ceylon:—

	Exports (millions)		
	1949 Rs.	1948 Rs.	1947 Rs.
Great Britain	516.7	454.8	548.8
U. S. A.	268.6	356.0	359.6
Australia	120.5	92.9	87.2
Pakistan	86.6	261.4	—
Ceylon	52.2	55.3	56.8

Exports to Japan amounted to Rs. 26.9 million (1948 Rs. 36.1 m.), to China Rs. 6.4 m. (1948 Rs. 45.1 m., 1947 Rs. 53.3 m.) and to Macao Rs. 2 m. (1947 and 1948 nil), while to Hongkong exports were valued at Rs. 19.3 m. (1948 Rs. 20 m., 1947 Rs. 29.7 m.).

Of the commodities imported into India during the six months under consideration Machinery came first, with Chemicals and Medicines second, Grains, Pulse & Flour third, Raw & Waste Cotton fourth and Oils, (Vegetable, Mineral & Animal) third:—

	Imports (millions)		
	1949 Rs.	1948 Rs.	1947 Rs.
Machinery	541.7	890.6	256.0
Chemicals & Drugs ..	505.2	125.1	104.4
Grains & Flour	488.9	365.1	105.4
Raw & Waste Cotton ..	370.7	265.1	171.7
Oils	310.7	181.7	185.6

In exports Jute Yarns & Manufactures were first, Tea second, Cotton Yarns & Manufactures third, Spices fourth and Hides and Skins fifth:—

	Exports (millions)		
	1949 Rs.	1948 Rs.	1947 Rs.
Jute Yarns	597.3	736.2	549.9
Tea	295.3	237.0	253.4
Cotton Yarns	189.3	228.3	112.4
Spices	66.9	19.9	28.0
Hides & Skins	65.2	64.3	79.9

Indian Cottage Industry Products

The following cottage industry products can be exported from India:—1. Indian Brass artware, 2. Embroidery ware, 3. Galvanised iron linckets, 4. Meerut scissors, 5. Aligarh locks, 6. Cutlery, 7. Surgical instruments, 8. Indian leather goods, 9. Glass bangles, 10. Carved ivory goods, 11. Brocade and brocade goods, 12. Straw and manufactures thereof, 13. Mysore Sandalwood products (Soap, oil and perfumes), 14. Kashmir art goods, 15. Wood carvings, 16. Mysore handloom cloth, 17. Leather footwear, 18. Wooden footwear, 19. Mysore Agarbati, 20. Umbrellas, and 21. Woolen carpets.

As regards items 4 & 5 above, it can be stated that (i) Meerut produces 150 dozen scissors per day at present which can be increased to 300 dozen per day; and (ii) Standard quality Aligarh brass and G.D. locks can be supplied to the extent of 75,000 numbers per month.

Promotion of Agriculture in India

A company under the name of Kashipur Agricultural Syndicate Ltd., has been formed in U.P. (Uttar Pradesh) with the sole purpose of promoting the interests of agriculture in India and to assist in the Grow More Food campaign of the Government of India.

The Syndicate is interested in contacting people keen on Agricultural pursuits who might like to pioneer the new way in farming. It will welcome enquiries from Indians overseas who intend to return home and settle permanently in India, especially if their interest lies in avenues of livelihood on the land of their birth.

The Syndicate's Administrative offices are at Linden House, Lansdown Road, Apollo Bunder, Bombay and there are branch offices at Delhi, Madras, Lucknow and in Kashmir. The Organisation covers agricultural implements, electrified fencing, poultry and dairy farm equipment.

HONGKONG COMMODITY MARKETS

(HK\$1 equals 1s. 3d. or US 17½ cents;
1 picul equals 133.3 lbs.)

Cotton Piece Goods & Cotton Yarn

Buyers from Pakistan, Thailand and Shanghai were actively in the Cotton Piece Goods market during the week and trading was brisk. Short supplies

of Shanghai piece goods and consequently lower stocks caused the demand to centre mainly around the Indian goods. Prices generally showed an increase: in Grey Sheeting, Mammoth Bird sold at \$44.50 per piece, Hung Fuk rose to \$45, Double Lamp and Flower & Bird 36" to \$42.50, Four Lotus to \$43, Fairy Eagle to \$44, Green Peacock to \$42 and Indian 3995 36" to \$38.50 per piece; in Drills, Wing Tze rose to \$39.50 and Transportation to \$44 per piece; in White Cloth, Fountain Hill sold at \$54, Memorial Pagoda at \$46 and Parachute at \$48.50 per piece; in Purple Cloth, Bee & Monkey sold at \$62 per piece.

Steady buying of Cotton Yarn by dealers from Pakistan, Thailand and Indonesia caused further price increases, particularly in Indian yarns, and dealers are hoping that with a continuance of activity prices may rise above cost. Supplies of Shanghai yarn have decreased considerably, dealers having been deterred from placing orders by the increased price quoted in

Shanghai which efforts little profit on the Hongkong market. The prohibition of exports by the Indian Govt. is also hampering the procuring of supplies, especially as the comparatively low prices ruling in Hongkong compared with the cost at source have caused local merchants to be reluctant to place orders in the past. In 10's, Cow brand rose to \$740 per bale, Double Lion to \$890 and Golden Peak to \$900 per bale; in 20's, increases were shown in Cambodia and Cocatoo which were offered at \$915, Coimbatore was quoted at \$980, Colaba, Edward Textiles and Flying Peacock were offered at \$920, Dawn Mills sold at \$950, Gokak Mills at \$955, Double Lion at \$1110, Flying Fish at \$1240, and Water Moon at \$1190 per bale; in 32's, Blue Phoenix and Yacht rose to \$1400 and Gold Peak to \$1440 per bale; in 40's, Blue Phoenix was offered at \$1600 Camel at \$1780 and Fairy Peach at \$1560 per bale.

Metals

Buyers from Taiwan, Shanghai, Canton, Tientsin and Tsingtao were heavily in the market for Metals during the week and the entry of speculators upon the scene brought about additional increases in prices. The demand for Mild Steel Plates was such that it was feared that supplies might be insufficient to meet requirements; at the close prices were as follows: 4 x 8 ft. 1/32" \$56 per picul, 1/16" and 3/32" \$50, 1/8", 3/16" 1/4", 3/8" and 1/2" \$39, 5/16" \$40, 4 x 16 ft. 1/4" to 3/8" \$36 per picul. Galvd. Mild Steel Sheets, Thin and Thick, received replenishments from Europe during the week, but not in sufficiently large quantities to cover anticipated demands. In the Thin specification, dealers from Taiwan and Canton were interested in Japanese spot goods and G30 3 x 7' saw an increase to \$7.80 per piece, while 3 x 6' to \$6.10 per piece; Belgian 3 x 7' sold at \$7.80 and the ordinary quality at \$7.50 per piece. The Thick specification, with plentiful supplies arriving, saw a slight decline in prices: Japanese 3 x 7' G24 was offered at 55 cents per lb., G26 fell to 66 cents and G28 to 72 cents per lb.; in the European 3 x 8' specifications forward prices for G24 and G26 were respectively 55 and 65 cents per lb. Indent prices for French Mild Steel Bars have been increased to £26.10s. for the Round specification and to £26.15s. per ton for Square, Flat, and Angle Bars. The volume of trading was substantial with Cantonese interests in the market for European Round Bars for transshipment to Shanghai; prices rose in all specifications from 1/4" to 3": 40 ft. 1/4", 1 1/8", 1 1/4" and 1 1/2" sold at \$35 per picul, 5/16", 7/8" and 1" rose to \$32, 1/2", 3/4" and 3/8" fetched \$31, 2", 2 1/2" and 3" sold at \$36 per picul; Angle Bars 1/2" thick 1" and 1 1/4" rose to \$34 per picul, 3/16" thick 1 1/2" and 1 3/4" sold at \$31, 1/4" thick 2" and 2 1/2" fetched \$32 per picul.

North China buyers continued to be interested in Galvd. Wire but found it difficult to satisfy requirements fully in certain specifications; European G6 and G10 rose to \$44 per picul, G8, G12

and G13 fetched \$45, G14 rose to \$51, G16 to \$52, G22 to \$61 and G24 to \$72 per picul. Galvd. Wire Ends G8-G16 rose to \$35. Buyers from Canton were requiring French Iron Hoops, and the price of G20 $\frac{3}{4}$ " rose from \$42 to \$55 per picul while 1" increased from \$40 to \$52. USA Enamel Coated Cold Rolled Steel Hoops were quoted at 80 cents per lb. for $\frac{3}{8}$ ", 78 cents for $\frac{1}{2}$ " and 75 cents for $\frac{5}{8}$ ", the Japanese make being offered at 62 cents and 60 cents respectively for $\frac{1}{2}$ " and $\frac{5}{8}$ ".

Buyers from Taiwan, North China, Shanghai and Canton, as well as local factories, were actively looking for Zinc Sheets, supplies of which are running low, and prices saw a further increase: Polish 3 x 8' G4 and G5 sold at \$185 per picul and G6 at \$180, Belgian G2 and G5 rose to \$190. Zinc Sheets, Used, were offered at \$78 per picul.

Heavy purchases were made by Taiwan and North China dealers of Tinplate Waste, Waste, but low stocks made it difficult to satisfy requirements: USA United States Steel case packing (coke) with export permit 18 x 26, 22 x 26 and 25 x 28, as well as Weirton Steel Bat brand 10 x 10 all sold for \$89 per 200 lbs., while Bethlehem Steel 18" upward tonnage packing (coke) fetched \$87 per 200 lbs. and 2nd quality 3-10" 200 lbs. packing fetched \$69, this latter being mainly in

demand by local buyers. Electrolytic Tinplate, almost equally in demand, also saw increased prices, USA Bat brand 18 x 24" selling for \$77 per 200 lbs. and the ordinary quality tonnage packing for \$73 per 200 lbs. British Tinplate was required by dealers from Taiwan and Thailand and the price of 20 x 28" 200 lbs. cases in skids rose to \$110 per case while USA 20 x 28" 200 lbs. fetched \$140 per ton. USA Mispint Tinplate was in demand by buyers from Canton, Macao and North China, prices quoted were: White Base 1st quality \$45 per picul, Yellow Base \$43 and Black Base \$40 per picul. USA Blackplate Waste, Waste, was sought by enamelware factories in Shanghai and Tientsin as well as in Hongkong; the price of G29-33 was quoted at \$40 per picul, stocks being practically cleared.

Paper

Some improvement was noticeable in the Paper market, due in large measure to renewed buying by Taiwan and Indonesia, the latter purchasing extensive supplies of the usually less popular 20 $\frac{1}{2}$ " Newsprint in reels, which as a result of low stocks rose in price to 36 cents per lb., the same as the 52 gr. 31". It was learned that the indent prices for Half-bleached Parchment of German origin would be increased to £160 per ton and that

Duplex Board to £90 per ton. The local price of Bond Paper with watermark 22" x 34" 30 $\frac{1}{2}$ lbs. rose to \$20.50 per ream and of 32 lbs. white to \$22.30. Cellophane 36 x 39 (British) improved to \$85 and 40 x 51 to \$128 per ream. An increase was also shown in Manifold Paper 22 x 34 16 lbs. (coloured) which sold at \$13.30 per ream, while Newsprint in sheets 31 x 43" 50 lbs. fell to \$19 ream. Duplex Board 200 lbs. rose to \$145 per ream.

Cement

Indochina Dragon brand in 94 lb. bags showed an increase in price to \$5.40 per bag, although the 1 cwt. bags stood at \$5.70. Japanese cement in 100 lb. bags rose to \$5.20 per bag for spot and the ex-godown price to \$110 per ton, due to delayed shipments and a keen demand from local contractors and Macao dealers, en route cargo with delivery in 10 days was quoted at \$98 per ton. Danish Bate brand White Cement in 1 cwt. bags sold at \$14.50 per bag, Emerald brand (Green Island) Cement in 112 lb. bags sold at \$6.80 per bag (official price \$6.25), the 94 lb. bag being quoted at the usual price of \$5.35; Emeraldcrete Rapid Hardening Cement (Green Island) was offered at \$7.70 per 112 lb. bag (\$7.25), while Snowcrete British White Cement sold at \$58 per drum of 375 lbs. nett (\$55). Snowcem British Cement Paint was quoted at \$58 per steel drum of 112 lbs. nett ex-godown.

Rubber

Large quantities of Rubber continue to be despatched to Tientsin and Tsingtao from the Colony, being transhipped from those ports to Dairen. Following further increases in Singapore, local prices saw a general rise: Smoked Rubber Sheets No. 1 were offered at \$245 per picul, No. 2 at \$243, No. 3 at \$240 and No. 4 at \$235; Sole Crepe Rubber (Java) rose to \$350 per picul and the Singapore product to \$320 for No. 2 and \$300 for No. 3; Pale Crepe No. 2 sold at \$240 and Pale Crepe Ends at \$230 per picul.

Vegetable Oils, Ores and Other China Produce

The Vegetable Oil market was active during the week, with large supplies arriving from Shanghai and Canton by rail and increased orders from abroad. A drop in the price of Tungoil (Wood-oil) in Canton was followed by a reduction locally sales being effected at \$168.50 per picul, but towards the close the price steadied at \$170 per picul; the European buying offer remained at £195 per ton c. & f. and the US offer was increased to US 23 cents per lb. c.&f. Local private dealers are finding it difficult to compete with the Chinese State-owned trading organisations. In consequence of the hot and humid weather holders of Teaseed Oil 4% acid were obliged to unload their stocks for fear of increased acidity; transactions were comparatively few, with buyers waiting for lower prices. Sales were effected at \$146 per picul, rising later to \$148. With several transactions for

export the price of Aniseed Oil 15% rose to \$720 per picul. Cassia Oil 85% was also raised in price to \$1580 per picul, the USA buying offer c.&f. standing at US \$1.80 per lb. Linseed Oil improved to \$115 per picul, but with few transactions. Rapeseed Oil 4% acid fell to \$94 per picul on a dull market; this being below cost price, holders were disinclined to part with their stocks.

Small supplies from China and reduced stocks sent the prices of most Minerals up during the week. USA and Indian buyers were in the market for Kwangsi Copper Ingots and selling offers rose to \$120 per picul. Antimony 99% was also in demand by the same interests and the price remained steady at \$160 per picul. China Wolfram 65% was quoted at the increased rate of \$400 per picul. Kwangsi Tin Ingots 99% rose to \$710 per picul and Yunnan 99% to \$705; Singapore Marked Banker 99.75% was quoted at \$715 per picul. China Tin 60% rose to \$400 per picul and 40% for soldering to \$260.

Cassia Lignea was in great demand by buyers for the USA, India and Pakistan which, together with reduced supplies from China, sent prices up. Supplies to India, where the demand has been great, are going via Singapore and Pakistan as well as direct, restrictions in India on direct imports from the Colony being greater than those upon shipments via Singapore or Pakistan. There are, however, indications that the demand from abroad as well as from India is beginning to subside. Cassia Lignea 84 catty packing (West River) 1st quality rose in price to \$70 per picul as did the 64 catty packing; Tungging Cassia unscrapped was quoted at \$80 per picul, while Cassia in bulk (West River) rose to \$60 per picul. Heavy buying by Japanese merchants caused a rise in the price of Gailnuts, stocks having fallen as a result of lower deliveries from the mainland: the Chungking 2nd quality sold for \$123 per picul and the Luichow product at \$126, the Korean being quoted at \$112. Indian and Singapore dealers were in the market for East River Rosin, the price of which rose to \$35 per picul. Hankow Gypsum with a dull market fell to \$16 per picul. Liquorice Root was quoted at \$170 per picul, but few transactions took place. Aniseed Star (Nanning) 1st quality, fell in price to \$88 per picul and 2nd qual. to \$65 on a dull market and with heavy supplies arriving from China as well as from Haiphong.

H.K. INDUSTRIAL CHEMICAL MARKET REPORT

As good demands continue from Tientsin and Shanghai, this market was moved upward. Those items like caustic soda, sulphur black, glacial acetic acid and potassium chlorate, which were prohibited to import into Shanghai and North China ports, are now transported there via Canton. These few chemicals are freely imported into Canton, which means that there is actually no difficulty for arranging such shipments to Central and North China. As sulphur black, glacial acetic

acid, and potassium chlorate are rather expensive chemicals and quoted at higher prices in Shanghai, the rate of advance of these three items is greater than that of caustic soda in Hongkong. The charge for transportation is levied by weight or by measurement. The cost of potassium chlorate, glacial acetic acid and sulphur black is higher than that for caustic soda solid, ranging from six to twenty times, therefore the freight percentage taking cost as basis for the former three items is much smaller than for caustic soda solid's. As there are heavy transportation expenses on caustic soda solid, it does not bring so great a profit as the other three chemicals.

Some items dropped in price at the weekend, however, are expected to rise again if their prices are not over indent price. The general tone is upward. The business concluded in the past two weeks may be deemed to constitute the climax in the past half year. Speculators are on the market, and they represent the second force to push up the general price level.

Borax. Market firstly up and finally dropped. As fresh shipments arrived, and the present price is above indent, holders had better sell now. USA origin granular form 100 lb paper bags sold from \$19.30 per bag up to \$22, and then backward to \$20.50 again. The business recorded is quite large. As demand still exists and indent price is \$16.50 per bag only, the future market is expected to be at standstill for some time. Crystal form 50 kg bags USA origin was once sold \$52 per bag and afterwards asked up to \$56. Paraffin wax. Market active. Lower melting point material advanced much quicker than higher melting point's. White wax in fibre drum of AMP 130/135 sold \$58 per picul. The AMP 130/135 100 kg machine sewn gunny bags sold from \$58 per picul up to \$64. Nine slabs to one carton of AMP 143/150 sold between \$72 and \$73 per picul, and of AMP 160/165 sold around \$80 per picul. Caustic soda solid. As Crescent brand 300 kg drums continuously advanced from \$98 per drum to \$128, the USA origin 700 lb drums was highly affected and also upward from \$79 per drum to highest \$98; now it dropped back to \$93. In the past two weeks most part was absorbed by Canton exporters. It is learned that Crescent brand 300 kg drums was once sold in Canton at \$300 per drum and USA origin 700 lb drums once sold \$280 there. As price in Shanghai is lower than in Canton, it is evident that nobody bought it from Canton for transportation to Shanghai. Crescent brand sold in Shanghai at \$230, and USA origin 700 lb drums at \$220. The local stock of Crescent brand is not much, however, that of USA origin is still plentiful.

Vaseline. Heavy demands by Macau and Sam Fou (Toishan District) buyers. Both light amber and snow white grades advanced much. The light amber 400 lb drums sold from 35½ cts. to 40 cts., and snow white of the same packing from 39 cts. to 58 cts. per lb. All with export licenses. Ammonium

chloride. Stock extremely short. English origin 1.5 cwt bags sold from \$720 per long ton to \$850, and ICI Crescent brand from \$760 up to \$900. The Belgium origin of the same packing also once sold \$710 per long ton. Now buyers agree to pay \$1000 per long ton for the Crescent brand, but no large and sufficient quantity available to meet demands. Sulphur black. National's 693 100 catty drums sold from \$245 per picul to \$250. Now some dealers asked higher from \$265 to \$270, but no business concluded as yet. Sodium hydrosulphite. The upward trend is not so sharp as in previous weeks, as Shanghai price has dropped to \$270 per picul now. However, the price is considered firm, as new Europe shipments cannot reach Hongkong within this month. Furthermore, the USA origin price is still under indent. USA origin 250 lb drums sold from \$165 per picul up to \$180, and of 125 lb drums sold at lot at \$182. The France origin 50 kg drums sold a few lots at \$180 per picul. Potassium bichromate. This item has been quiet over one year. In the past two weeks business is rather big. Price firm and moved upward a little. Crystal form of 330 kg wooden barrels German origin sold around 88 cts. per lb, and ICI product 400 lb drums sold 95 cts. Granular form of German origin 560 lb wooden barrels sold 78 cts. per lb only. Sodium bichromate. Market moved up a little. Business concluded over score of tons. Australia origin 560 lb drums sold from 57 cts. per lb up to 60 cts., and South Africa origin 500 lb drums sold from 45½ cts. to 52 cts. Sodium sulphide solid. Business from sluggish to active. As this is the most important material in dyeing industry, it is imagined to be prosperous in the coming few months. Crossed Key brand 6 cwt drums firstly sold \$455 per long ton and then upward to about \$580. The Chinchin brand 5 cwt drums also rose from \$450 per long ton up to \$545 now. Since the advance of the above two brands, the other follow. English origin 5 cwt drums and USA origin about 700 lb drums sold from \$460 per long ton up to \$500 or over. Glacial acetic acid. Many dealers first carried it to Canton and then transport to Shanghai. It is sold in Canton at \$1.75 per lb. As at the present price it is still unprofitable to import from abroad, the future market is anticipated to be on the firm side. Business recorded is rather big. Dutch or German origin 20 kg or 25 kg carboys sold from 59 cts. per lb up to 85 cts., and Canada origin 50 lb aluminum drums sold at about the same figures. The indent price of aluminum drums, in general, is dearer than those in carboys. This material is also used much in dyeing bath as it helps the color to be fixed fast on the fibres.

Lithopone. Market at standstill. Dutch or German origin 50 kg bags sold between 37 cts. and 38 cts. per lb. Bleaching powder 70%. Price upward. Stock scarce. USA origin 130 lb drums sold from \$1.80 per lb up to \$1.95. Forward sale of this packing which will be due Hongkong mid August is \$1.70

and that due at the end of August is \$1.30 only. Spot goods of Japan origin 50 kg drums sold a lot at \$1.20 per lb. As there are several shipments on way to Hongkong, the future market cannot be expected upward. Bleaching powder 35%. As the 70% advanced, exporters and consumers show interest. ICI Red Heart brand 50 kg drums sold from \$28.50 up to \$35. Its stock declined and the market will be strong for a considerable time. Sulphur powder. Comparatively little business was recorded. The lowest price was \$8.50 and highest \$11.60 per picul. However, since the sale of \$11.60 had been established, others offered at \$10. only. The future market can not be expected firm until further purchase contracted by North and Central China buyers. As in previous months there were many shipments for Shanghai. Potassium chlorate. Price first advanced and dropped back later. USA 110 lb metal drums sold first at 60 cts. per lb and then 70 cts., however, 65 cts. now available. Sweden origin 50 kg wooden cases once sold 65 cts. per lb. Sodium nitrate. Market strong. Either German or Belgium origin 100 kg bags sold from \$28 per picul up to \$33. Some dealers asked as high as \$40 now, but no business was recorded. Sodium nitrite. This item is the most important material when making azo dyes. Azo dye is the leading series in the whole dyestuff field. Some Taiwan buyers on the market. Its price is about \$1 per lb. Red amorphous phosphorus. Market at standstill with some demands. Japan origin KDK brand sold from \$210 up to \$220 per case. Canada origin golden tins also sold \$220. The France origin Au Lion brand sold from \$260 up to \$280. All are of 10 x 11 lb tins per case. However, that of Canada origin in 100 lb drums was asked \$180 per drum without buyers. Citric acid. Market quiet, small demands. English origin 1 cwt drums granular sold \$1.10 per lb. The crystal form is about \$1.20. However, there is a lot of crystal form of loose packing but of perfect quality, the seller asking \$1.10 per lb, but buyers paid 90 cts. only.

Tartaric acid. It is the sister acid to citric acid and may be used as substitute for citric when making aerated water but vice versa it is impossible. As it is dearer than citric, it is rarely adopted by aerated water manufacturers. It is often used in mirror making industry. Recently Shanghai sold it at HK\$7 per lb. Some exporters are interested. The Italy origin 1 cwt drums sold \$1.60 per lb. Oxalic acid. Small demands. Crystal form in 560 lb wooden barrels sold 80 cts. per lb only. Titanium dioxide. Small demands. USA origin 50 lb bags sold a lot at \$2.50 per lb. Zinc chloride. Market firm. Belgium origin galvanised iron drums 1 cwt drums sold \$1350 per long ton, however, the English origin 1 cwt metal drums remained at \$1190 only. Glycerine. Business recorded about several hundred drums. It is now in the most prosperous period since last year. Many dealers thought as it is a raw material for making dynamite explo-

sives, the new war is nearer. Dutch origin 250 kg drums sold from \$1.60 per lb up to \$1.67. Stearic acid. Speculators are interested. No actual export demands. Single pressed sold 70 cts. per lb and triple pressed 10 cts. higher. All are of Australia origin and packed in burlap bags of 140 lbs lbs net each. Ammonium bicarbonate. Poland or Czech origin 50 kg drums sold from \$36 per drum up to \$38.50, and ICI 2 cwt drums sold several lots at \$74 per drum. As many buyers do not like larger packing, the small packing, 1 cwt drums, may be sold higher. Extract of quebracho. The loose packing is sold much cheaper than the solid and firm packing. Crown brand 105 lb bags firm packing sold from \$85 per bag up to \$95.

Extract of mimosa. The tannin always melts during hot weather and when melted the bags are broken. If so, it must be sold cheaper. Elephant brand 112 lb bags good packing sold from \$67.50 per bag up to \$80 now. Sodium bicarbonate. The stock of ICI Crescent brand 100 kg bags declined. It was sold from \$36.50 per bag up to \$48. The France origin of the same packing was sold from \$33 per bag up to \$34.50 only. Boric acid. Small demands. USA origin 100 lb paper bags once sold 65 cts. per lb. However, the ICI 1 cwt bags sold 58 cts. only. Sodium silicate. ICI Crescent brand 340 kg drums small quantity sold at \$135 per drum. DNCB. Market seemed to be active again. USA origin Monsanto 600 lb drums sold from 82 cts. per lb up to 86 cts., and Du Pont 500 lb metal drums sold from 90 cts. up to 93 cts. per lb. Rosin. Market steady with quiet tone. Only a few lots of WW grade 517 lb drums sold at \$63 per picul. As the native product is cheaper, buyers do not show much interest if USA origin is too high. Sodium perborate. English origin 1 cwt drums sold \$1.70 per lb. Sodium cyanide. More export demands. ICI 50 kg drums sold a few lots from 98 cts. per lb up to \$1. Paraffin oil. Standard Company's Cosmetic grade 51 gallon drums sold from \$225 up to \$235 per drum.

Phenol. Small business was recorded only. English Monsanto 448 lb drums sold \$1.08 per lb. Zinc oxide. Price advanced slowly. South Africa origin 1 cwt bags white seal sold 83 cts. per lb up to 85 cts. Acetic anhydride. Occasional demands. Market may be steady. 480 lb drums USA origin sold a lot at \$1.25 per lb. Rongalite C. It is used for bleaching animal fibre. Crystal form 2 cwt drums sold a lot at \$2 per lb. Sodium peroxide. Stock scarce. Some export demands on the market. It is about \$2.50 per lb, whereas indent price from USA is \$1.80 only. Phosphorus sesquisulphide. No demands. Sellers asked \$180 per drum for the Canada origin 100 lb drums. Formalin. As high price in Shanghai, the business recorded was rather big. English origin 448 lb metal drums or Dutch origin 493 lb drums sold from 40 cts. per lb up to 44 cts. Although

it yields several times profit for export to Shanghai, as soon as its limited requirement is fully met there will be no buyers. The indent price for English origin is now 31½ cts. Carbon black. Export demands. Getz brand 187.5 lb cases sold from \$250 per case up to \$270. MBT. English Monsanto 224 lb metal drums sold \$1.75 per lb. The buyers seemed unable to pay higher since the last business contracted at \$1.55. Beef tallow. Australia origin 300 lb drums sold at \$77 per picul. Shellac. Small local demands. Superfine No. 1 quality sold a lot at \$308 per picul. Gum Arabic. In the past three years the price was never so high. Egypt origin 100 kg bags sold from 75 cts. per lb up to \$1.50. Stock scarce. Aluminum powder. Market dull. Pyro grade 250 lb drums is about \$170 per 100 lbs, and paint is about \$1.40 per lb only. Nitric acid. USA origin is short in stock, it sold a lot at 80 cts. per lb, whereas the Japan origin or Dutch origin remained unchanged at 52 cts. Salicylic acid. This preservative for making dried fruits is in demand. Price of USA Monsanto is about \$2.40 per lb. Ferric chloride. English origin 1 cwt drums sold 42 cts. per lb.

Hongkong Marine Department

Quarterly Report for April-June 1950

PRIVATE MOORINGS:—The Department approved and superintended the laying of 10 private mooring buoys.

AIDS TO NAVIGATION:—Three fairway lightbuoys were relieved, those replaced being removed for overhaul. Reconstructed 3rd Class buoys were laid at the wrecks of "Tamar" and "Ling Nam Maru".

HARBOUR CONGESTION:—On 30th June there were 196 vessels of over 60 tons, excluding river steamers, in the water of the Colony. Of these 39 had been in port for more than 30 days—an increase of 8 as compared with the last day of the previous quarter. Steps were being taken to reduce the congestion in Yaumati Bay in view of the possible danger to vessels secured to typhoon buoys.

VESSELS DECLARED ENTERING & CLEARING:—Total No. Ocean going vessels Previous Qtr. 872 vessels 2,325,016 N. R. Tons; Present Qtr. 921 vessels 2,485,954 N. R. Tons.

MARINE LICENSING OFFICE:—During the months of April, May and June 1950 a total of 3,687 vessels (Classes I to VI) were licensed and of this number 25 were motor trading vessels and 25 were motor fishing vessels. 143 launches and motor boats were also licensed.

LIGHTHOUSES AND SIGNAL STATIONS:—The installation of the new equipment at Waglan Island was completed and the new light and fog

signal was brought into operation on 20th May, 1950.

SIGNAL STATIONS:—All Signal Stations functioned efficiently throughout the period under review. Radio Telephone communications on the Harbour Circuit were maintained throughout the period under review. The new electric cable across to Green Inland was laid on 4th April and the Signal Station was electrified on 20th April. The new Signal Station at Control Tower was completed and put into operation on 10th June.

SHIP SURVEYS:—For the first six months of the year 1,054 Applications for Survey have been received as against 819 during the corresponding period last year, with an increase of \$12,054 in survey fees.

NEW CONSTRUCTION:—One new Norwegian vessel constructed to plans approved by the Department arrived in the Colony and was surveyed and granted Passenger and Safety Certificate.

The first of three vehicular ferries for the Hongkong & Yau-mat Ferry Company was launched at Kowloon Dock by Lady Grantham and is expected to be in service in two to three months time, and plans of the first two of a batch of four new passenger ferries for the same company are now under examination.

Five Police dories with outboard motors and 5—1000 bucket nightsoil barges have been completed by the Taikoo Dockyard and Engineering Company under the supervision of this Department and delivery of these barges has been taken on behalf of the Urban Council.

Considerable concern has been shown on reports that a large number of landing craft were being built in the Colony for the People's Republic of China, allegedly for use in the invasion of Formosa. These rumours, which originally appeared in the local Press some three months ago have been found to have little substance and apparently originated from an order placed by the Hongkong Transportation Company for the erection of 40 prefabricated barges (ex war surplus in the Philippines) for sale to the Government of Pakistan and for the company's own purposes. No trace of any other activity in the building of this type of vessel has so far been found.

Hongkong's Trade for June 1950.

Trade in June

The total volume of trade fell by 6.1% as compared with the record of May. Imports are down by 10.7% to \$265.8 millions and exports by 0.9% to \$263.4 millions, the visible adverse balance thus being reduced almost to nothing.

Figures for China and Macau are shown in millions of dollars below, last month's figures being given in brackets:

	Imports	Exports	Total
China, North	26 (44)	39 (42)	65 (86)
.. Middle	6 (5)	23 (24.5)	29 (29.5)
.. South	26 (31)	15 (10)	41 (41)
Macau	9 (6)	14 (18)	23 (26)
Total	67 (88)	91 (94.5)	158 (182.5)

The large drop in imports from North China is attributable to the fact that no Pig's Bristles came in. This item accounted for almost \$22 millions in May. Exports of raw cotton to North China fell from almost \$24 millions in May to just under \$9 millions this month. Gunny bags and petroleum products also registered decreases, but exports of rubber increased in value from \$0.6 million to just over \$2 millions, and exports of iron and steel rose from \$1 million to \$6.2 millions.

Total trade with Middle China, South China and Macau shows hardly any change. With Middle China the main fall in exports, amounting to \$1½ millions, was in respect of wheat flour, counter-balanced by an increase of almost a million dollars in sugar imports. Imports of wood oil and teased oil from South China fell away heavily; the increase in exports to this area is in part accounted for by an item of \$1.5 millions for "Structures of iron and steel, and their finished or processed parts" and also by an increase in the item "Iron and Steel" from a mere \$25,000 to over \$1.1 millions. Exports of motor spirit to South China fell from \$3.7 millions in May to \$0.6 million this month.

United Kingdom

Imports fell from \$36.4 millions to \$27.8 millions, the principal items affected being textiles, pharmaceuticals, and iron and steel. The fall of \$4.7 millions in exports is almost entirely accounted for by local manufactures, although it is noteworthy that fifty bales of locally spun cotton yarn were sent to Liverpool.

Australia

Imports increased from \$5.6 millions to \$15.2 millions, of which total wheat flour accounted for almost \$8½ millions.

Malaya

Exports increased from \$30.6 millions to \$36.6 millions in large part accounted for by local manufactures. Imports almost doubled—from \$5.8 millions to \$11.2 millions, most of the increase being due to imports of crude rubber.

Burma

A large increase in exports to Burma is due to shipments of cotton yarn recently disposed of by the Supplies and Distribution Department.

U. S. A.

Imports decreased from \$69.5 millions to \$56.6 millions after the heavy shipments of tobacco and raw cotton in May. Exports also fell away from \$29.1 millions to \$23.6 millions, Pig's Bristles accounting for only \$8.2 millions as against \$13.3 millions in May.

U. S. S. R.

The U.S.S.R. re-appears in the Trade Returns as supplying us with cement to the value of \$170,000.

Pakistan

Trade with Pakistan shows an increase, with imports of raw cotton and exports of cotton yarn.

Indonesia

The Colony's trade with Indonesia is perhaps worthy of note. Figures for the first half of 1950 in millions of dollars are as follows:—

	Imports	Exports	Total
January	8.8	6.1	14.9
February	3.5	6.4	9.9
March	5.2	1.8	7.0
April	6.1	13.4	19.5
May	5.0	11.5	16.5
June	7.2	12.2	19.4
Total	35.8	51.4	87.2

Comparative figures for the first six months of 1949 are:—

Imports	\$ 15.2 millions
Exports	36.8 "
Total	\$ 52.0 millions

Japanese Trade

Generally speaking, the new arrangement whereby licences are freely granted for bona-fide imports has worked smoothly and has been welcomed. Import Licences were issued to the total value of U.S.\$6,333,540, and Export Contracts entered into by merchants totalled U.S.\$3,287,930.

Revenue

There was a slight increase in the total revenue collected.

Illicit stills found numbered 45, all of which were in the Cha Kwo Ling district. Only one conviction was obtained.

There appears to be an increase in the smuggling of Tobacco across the land frontier, seizures of Chinese Tobacco having increased from 504 lbs. to 1,268 lbs. Smuggling of Macao cigarettes is also on the increase. A concerted raid in a small area in Wanchai resulted in the discovery of dutiable Macao cigarettes in six different first floor Tenements.

An old method of smuggling liquor has been revived. Jars and bottles are being suspended by strings from the ship's side under water until the Revenue party has left the ship, and in many cases it is necessary for the Revenue Inspector to swim round the ship to find the contraband.

Import and Export Control

Licences issued totalled 11,306, namely 1,854 Import and 9,452 Export.

An ingenious method of smuggling silver into the Colony was discovered when the framework of a suitcase was found to be made of silver instead of wood. The weight was 35 lbs.

A seizure was made of 93 bags of sugar about to be exported on two junks, and confiscation resulted. This case incidentally resulted in the first prosecution under the Tally Clerks Ordinance, 1946. The Clerk tallying the sugar into the junks was found to have no licence, and forfeited his bail of \$750 by failing to appear in court.

The Export Control Order, revised and brought up-to-date, was republished in the Gazette of the 30th June.

Supplies**(a) Rice**

Issues on the ration totalled only 9,842 tons against a theoretical 17,220 tons, the low offtake being attributable partly to the arrival of 5,580 tons from Thailand under commercial arrangements and partly to the harvesting of New Territories rice, both of which factors have tended to bring down the price of free rice.

Receipts of Government rice from abroad totalled 9,578 tons.

One retailer found using incorrect scales and mixing inferior grades of rice with the Government ration rice had his licence withdrawn.

(b) Flour

Only 223 tons of Government flour were taken up by distributors. The Colony is seriously overstocked with flour and many merchants are incurring heavy losses.

(c) Sugar

Sales of sugar from Government stocks were increased from 1,250 tons of refined and 750 tons of raw sugar, to 2,000 tons and 1,000 tons respectively. This had an immediate effect on the price of sugar which had risen unreasonably as a result of hoarding by dealers. Sugar however still did not appear in reasonable quantities at retail level, and steps were therefore taken in conjunction with the Kowloon Provision & Grocery Commercial Chamber and the Hongkong & Kowloon Provision, Wine & Spirit Dealers' Association to ensure that a reasonable share of the sugar released reached retail shops.

(d) Fuel

Stocks of coal at the end of the month had increased to 55,948 tons. Sales totalled 17,000 tons.

A start was made on reducing the stock of firewood which is considered unduly high at approximately 30,000 tons.

Industry

Certificates of Origin and Imperial Preference Certificates issued during the month totalled 2,763.

Efforts are being made to have the benefit of Imperial Preference extended to Hongkong manufactured goods imported to Australia.

Complaints are still being received regarding the failure of Hongkong ex-

Hongkong's Trade for the first half year & for June 1950

Imports of merchandise into Hongkong during the month of June, 1950 amounted to a declared value of \$265,761,294 as compared with \$208,180,331 in the month of June, 1949. The figures include Government sponsored cargoes.

Exports of merchandise totalled \$263,451,120 as compared with \$164,069,372 in June, 1949.

Imports during the first half year of 1950 amounted to \$1,660,039,136 as compared with \$1,229,646,017 in the first half year of 1949.

Exports totalled \$1,425,897,715 as compared with \$982,520,142.

Trade for June

TOTAL VALUES OF IMPORTS & EXPORTS OF MERCHANDISE BY COUNTRIES

Countries	IMPORTS FROM		EXPORTS TO	
	June 1950	June 1949	June 1950	June 1949
	\$	\$	\$	\$
United Kingdom	27,817,633	25,782,801	20,998,585	11,667,410
Australia	15,170,183	2,642,128	3,365,763	1,867,261
Canada	4,964,511	5,896,240	1,047,746	3,901,033
Ceylon	229,769	165,327	1,205,757	415,706
East Africa	51,858	214,800	429,316	1,885,460
India	6,200,680	2,383,719	1,581,754	2,985,705
Malaya	11,211,217	6,238,878	36,570,000	22,450,645
New Zealand	8,579	13,062	236,763	82,163
North Borneo	1,171,884	1,128,511	1,589,923	862,999
Pakistan	5,887,355	312,772	9,118,553	1,379,898
South Africa	1,588,807	2,286,361	1,086,517	2,905,925
West Africa	—	32,256	788,329	400,104
West Indies	2,300	—	1,102,242	168,664
British Commonwealth, Other	5,049,263	798,269	1,357,665	493,745
Austria	1,212,733	355,227	—	—
Belgium	3,979,442	2,159,857	630,484	643,635
Burma	2,978,509	925,627	12,027,927	2,694,299
Central America	136,858	139,660	703,772	414,764
China, North	25,678,018	12,238,111	39,483,749	25,270,592
" Middle	6,453,890	3,501,334	23,398,868	5,292,717
" South	25,868,061	36,190,211	14,821,285	5,765,391
Czechoslovakia	495,697	417,486	—	—
Denmark	112,294	439,229	1,532,867	8,537
Egypt	84,846	8,800	859,535	209,164
Finland	604,620	632,845	5,700	28,346
France	3,075,618	3,721,782	219,319	1,168,140
French Indochina	1,232,815	1,930,567	2,403,737	1,907,354
Germany	1,680,692	504,126	3,282,429	782,763
Holland	3,723,692	2,791,488	3,529,969	949,611
Iraq	—	—	1,948	141,370
Italy	2,387,151	1,276,250	1,825,002	341,514
Japan	6,586,238	10,900,746	5,785,055	5,971,436
Korea, North	556,530	1,731,231	978,306	1,438,379
" South	1,343,186	1,536,065	1,838,876	2,733,232
Macao	9,067,088	5,817,287	13,763,226	19,241,696
Norway	787,282	1,324,211	505,781	178,976
Oman	—	17,900	98,924	203,563
Persia	—	—	23,500	3,150
Philippines	1,622,815	1,124,462	5,964,745	6,514,412
Poland	246,397	181,540	—	—
Portugal	227,917	287,460	42,000	1,100
Portuguese East Africa ..	16,000	—	14,021	480,299
South America	—	385,268	1,783,576	145,222
Spain	85,929	36,663	271,160	—
Sweden	2,266,586	3,793,791	1,270,306	356,646
Switzerland	3,968,391	3,351,334	115,543	50,780
Thailand	12,834,284	7,457,330	8,314,709	4,581,427
Turkey	—	39,300	185,732	69,710
U. S. A.	56,587,162	47,640,858	23,601,657	18,156,652
U. S. of Indonesia	7,156,515	1,969,445	12,174,243	5,014,617
U. S. S. R.	170,000	—	—	602,914
Others	3,179,999	5,740,770	1,513,857	1,240,246
Total	265,761,294	208,180,331	263,451,120	164,069,372
Total Br. Commonwealth ..	79,254,039	47,895,124	80,479,413	51,466,718
Total Foreign	186,407,255	160,285,207	182,971,707	112,602,654

porters to comply with specifications when fulfilling orders.

The value of enquiries from abroad is increasing steadily, largely due to participation in the British Industries Fair, and in part to the influence of Mr. E. Himsworth in Nigeria.

Price Control

Control of the various brands of Cocoa and preparations containing cocoa was abandoned.

Dangerous Drugs

Seizures fell away very considerably during the month. One defendant found importing 112 taels of raw opium was sentenced by the District Officer, Taipo, to a fine of \$250 or one month. A member of the crew of a Macao steamer found bringing in 40 taels was awarded at the Central Magistracy a fine of \$10,000 with the alternative of 12 months hard labour.

Trade for first half year

TOTAL VALUES OF IMPORTS & EXPORTS OF MERCHANDISE BY COUNTRIES

Countries	IMPORTS FROM		EXPORTS TO	
	1st ½ year 1950	1st ½ year 1949	1st ½ year 1950	1st ½ year 1949
	\$	\$	\$	\$
United Kingdom	216,420,890	177,789,427	97,927,962	75,907,327
Australia	53,524,469	31,625,748	18,012,613	12,215,516
Canada	24,024,450	22,383,137	5,071,476	8,393,903
Ceylon	1,291,318	944,250	2,491,301	3,584,016
East Africa	1,565,073	1,021,272	3,586,113	10,762,824
India	109,235,132	14,440,019	7,310,530	20,855,617
Malaya	46,516,348	26,294,920	163,224,598	107,389,755
New Zealand	661,042	402,221	1,616,855	986,475
North Borneo	6,652,765	6,275,298	6,033,219	3,847,344
Pakistan	42,554,951	1,043,108	28,820,654	45,923,237
South Africa	7,468,091	7,811,919	3,798,140	8,597,530
West Africa	57,008	41,606	3,167,590	3,700,944
West Indies	19,977	65,787	3,787,928	2,036,448
British Commonwealth, Other	18,154,520	14,253,464	6,189,487	5,356,841
Austria	5,649,189	1,770,447	80,898	17,660
Belgium	20,978,990	9,141,652	4,145,074	4,038,232
Burma	5,648,947	12,156,071	16,896,951	8,483,976
Central America	813,689	398,155	3,331,118	2,224,037
China, North	188,372,087	81,915,511	228,247,727	82,022,054
" Middle	37,534,801	19,029,008	180,203,701	22,965,189
" South	110,752,037	199,118,534	99,031,424	49,819,788
Czechoslovakia	6,960,458	2,652,071	48	1,815
Denmark	2,236,416	1,297,906	6,193,776	1,942,669
Egypt	521,927	255,294	2,570,337	2,209,052
Finland	2,435,381	1,400,471	18,595	57,626
France	25,843,967	17,741,466	3,141,572	6,324,234
French Indochina	10,814,282	9,428,855	11,788,730	10,398,464
Germany	16,967,606	2,476,504	14,431,446	12,469,610
Holland	24,213,214	14,385,601	20,990,368	5,106,793
Iraq	10,000	—	114,571	1,668,939
Italy	12,880,208	6,363,295	4,885,645	5,946,637
Japan	31,116,673	48,691,718	55,315,542	37,820,777
Korea, North	17,698,852	28,241,559	7,777,032	28,477,911
" South	21,403,048	18,507,943	22,461,108	31,416,077
Macao	46,028,976	46,374,371	121,982,210	81,502,588
Norway	15,429,690	6,721,553	3,150,845	3,104,117
Oman	150,600	55,568	423,360	2,216,804
Persia	112,559	544,626	193,001	286,120
Philippines	6,719,974	8,881,952	30,699,190	47,182,612
Poland	2,749,758	1,164,991	—	—
Portugal	981,483	650,496	198,220	64,805
Portuguese East Africa ..	721,020	45,782	550,915	1,442,503
South America	186,672	2,250,076	9,890,680	2,082,035
Spain	456,605	268,862	340,160	179,896
Sweden	15,621,152	11,308,387	4,220,893	2,205,582
Switzerland	29,785,980	25,601,979	1,545,209	429,971
Thailand	79,880,071	50,918,063	38,648,819	85,456,599
Turkey	6,000	39,300	709,398	1,013,528
U. S. A.	339,070,042	263,903,398	115,986,794	85,319,833
U. S. of Indonesia	35,816,252	15,161,375	51,444,324	36,807,054
U. S. S. R.	790,800	433,316	—	1,898,628
Others	14,533,696	15,957,685	13,249,568	8,349,150
Total	1,660,039,136	1,229,646,017	1,425,897,715	982,520,142
Total Br. Commonwealth ..	528,146,034	304,392,176	351,038,466	309,557,777
Total Foreign	1,131,893,102	925,253,841	1,074,859,249	672,962,365

Hongkong's Trade for the first half year

Hongkong's Trade for June

TOTAL VALUES OF IMPORTS & EXPORTS BY CHAPTERS

TOTAL VALUES OF IMPORTS & EXPORTS BY CHAPTERS

Articles	IMPORTS		EXPORTS		IMPORTS		EXPORTS	
	June 1950	June 1949	June 1950	June 1949	1st ½ year 1950	1st ½ year 1949	1st ½ year 1950	1st ½ year 1949
Live animals, chiefly for food	3,193,236	2,520,685	—	—	22,401,394	19,918,363	60,416	8,560
Meat and preparations thereof	1,464,581	413,725	147,600	110,019	8,454,198	6,269,547	3,082,486	3,876,836
Dairy products, eggs and honey	8,066,186	3,404,753	3,200,369	2,660,938	34,991,622	30,351,831	17,638,709	17,673,293
Fishery products, for food	4,052,635	3,103,259	4,293,995	2,012,203	32,137,537	27,497,251	21,888,434	11,277,896
Cereals	12,698,690	5,413,307	11,562	753,939	58,033,852	42,582,566	13,010,341	1,876,543
Manufactured products of cereals, chiefly for human food	13,167,219	2,658,853	5,013,799	2,756,255	49,597,551	25,551,909	38,777,865	15,203,118
Fruits and nuts, except oil-nuts	5,409,222	2,784,279	3,519,994	1,994,670	31,063,438	19,020,240	19,703,445	12,031,282
Vegetables, roots & tubers, chiefly used for human food & their preparations, n.e.s.	5,947,663	7,181,964	7,295,057	5,989,494	37,392,212	33,360,445	43,544,044	29,966,515
Sugar and sugar confectionery	2,215,584	4,602,140	955,673	2,092,386	19,718,195	15,369,115	17,652,348	7,998,944
Coffee, tea, cocoa and preparations thereof; spices	2,627,813	1,952,052	2,606,169	1,028,975	18,778,623	9,960,018	20,574,803	8,080,739
Beverages and vinegars	2,761,340	1,873,988	930,291	857,193	15,804,126	8,572,969	6,807,270	5,711,505
Feeding stuffs for animals, n.e.s.	2,989,660	1,282,402	2,818,673	3,611,996	29,509,572	7,070,598	24,150,109	10,933,549
Tobacco	4,438,789	4,805,880	5,315,989	1,840,716	36,730,548	23,982,606	22,631,835	11,100,205
Oil-seeds, nuts & kernels	3,752,107	907,803	2,240,279	2,325,790	34,100,357	13,371,215	27,152,795	16,780,594
Animal and vegetable oils, fats, greases and waxes and their manufactures, n.e.s.	18,897,494	9,439,827	22,305,700	14,242,431	92,092,832	63,518,628	82,403,923	75,507,993
Chemical elements and compounds; pharmaceutical products	12,419,649	6,076,235	14,219,450	6,229,217	90,609,989	57,848,661	65,198,376	38,441,570
Dyeing, tanning & colouring substances (not including crude materials)	4,204,532	3,689,996	5,242,384	4,137,062	44,702,703	31,193,359	27,987,328	26,113,475
Essential oils, perfumery, cosmetics, soaps and related products	2,628,351	1,938,381	1,673,165	1,237,512	14,142,071	10,916,749	9,374,420	5,793,833
Fertilizers	2,211,297	4,207,447	3,067,808	2,376,184	24,292,786	6,025,934	26,440,024	5,926,557
Rubber and manufactures thereof, n.e.s.	9,673,775	2,416,263	4,578,999	2,123,820	23,255,729	16,406,754	19,662,227	16,378,344
Wood, cork and manufactures thereof	6,956,352	3,988,845	1,225,996	713,862	34,808,257	24,676,512	6,377,492	4,940,134
Pulp, paper & cardboard & manufactures thereof	7,922,169	12,160,398	7,010,943	8,716,818	62,804,845	46,373,696	50,648,249	44,124,286
Hides & skins & leather	2,684,798	1,396,630	2,184,212	2,408,114	12,771,320	12,529,859	8,756,102	9,551,215

Manufactures of leather, not including articles of clothing	71,309	84,822	471,526	313,528	596,666	2,401,198	2,586,900
Furs, not made up	162,696	35,000	111,764	602,024	1,212,945	1,739,176	3,571,887
Textile materials, raw or simply prepared	17,964,970	5,284,649	17,586,815	7,490,103	35,799,661	110,476,600	36,123,217
Yarns and threads	8,260,322	5,826,012	26,983,791	5,008,777	73,494,595	100,581,421	57,399,030
Textile fabrics and small wares	18,199,112	11,693,006	20,231,650	14,274,344	121,781,681	91,135,121	103,529,462
Special and technical textile articles	1,496,465	683,006	1,525,108	369,861	7,331,113	6,701,835	2,777,417
Clothing & underwear of textile materials; hats of all materials	3,005,501	1,696,659	12,710,603	6,790,328	14,789,402	65,337,177	41,621,317
Clothing of leather & fur	—	—	60	360	49,822	6,992	5,510
Footwear: boots, shoes & slippers	156,602	84,815	1,488,971	764,966	1,164,233	20,266,327	12,152,689
Made-up articles of textile materials other than clothing	1,339,529	2,280,189	3,182,350	8,456,335	34,901,419	53,427,418	30,031,047
Products for heating, lighting & power, lubricants & related products, n.e.s. ..	16,173,744	14,658,978	7,327,467	3,732,987	80,064,268	67,545,556	32,057,935
Non-metallic minerals, crude or simply prepared n.e.s.	1,329,571	950,538	508,039	323,901	10,662,427	3,750,687	3,460,544
Pottery and other clay products	1,122,524	999,337	968,381	884,442	6,501,504	6,398,425	4,622,503
Glass and glassware	223,944	1,641,863	529,956	673,621	4,079,541	6,291,814	5,422,270
Manufactures of non-metallic minerals, n.e.s. ..	360,678	322,466	210,932	110,330	2,411,706	2,299,138	952,959
Precious metals & precious stones, pearls & articles made of these materials	1,104,114	4,701,999	445,691	176,131	7,620,556	12,612,162	2,233,184
Ores, slag, cinder	29,236	5,874,218	689,152	2,016,458	911,248	18,907,022	7,968,017
Iron and steel	8,817,345	5,550,713	8,639,787	1,424,371	60,594,902	35,348,295	27,493,232
Non-ferrous base metals ..	4,708,521	6,306,469	3,788,834	8,868,036	20,692,954	28,398,047	15,650,353
Manufactures of base metal n.e.s.	5,596,604	6,206,679	10,971,512	7,991,171	32,096,927	34,346,811	50,116,127
Machinery, apparatus and appliances other than electrical, n.e.s.	7,530,256	15,191,879	7,192,095	1,037,093	38,349,948	44,334,826	25,137,242
Electrical machinery, apparatus & appliances ..	4,241,979	4,822,356	2,789,538	1,819,566	30,975,221	26,331,499	14,469,676
Vehicles and transport equipment, n.e.s.	4,301,489	4,365,238	2,969,106	1,310,986	27,541,515	24,206,139	16,394,801
Miscellaneous crude or simply prepared products, n.e.s.	6,836,132	11,417,391	18,779,291	11,510,586	73,896,636	71,867,968	97,063,209
Manufactured articles, n.e.s.	11,645,509	9,283,530	13,490,614	7,899,773	69,013,557	67,015,161	70,719,077
Total Merchandise	265,761,294	208,180,331	263,451,120	164,069,372	1,660,039,136	1,229,646,017	1,425,897,715
Gold and Specie	4,453,931	7,996,809	3,584,094	5,032,017	13,642,223	8,866,473	28,100,602
Grand Total	270,215,225	216,177,140	267,035,214	169,101,389	1,673,681,359	1,238,512,490	1,453,998,317

NOTES FROM BANGKOK

SIAMESE NIELLO WORK

Perhaps the most distinctively Siamese art is a kind of "niello" work locally called THOMPAT which has been practised in the country for about eight centuries and in which a high artistic level has been attained. The process consists in the tracing of designs on silver by means of gentle, "repousse" work and afterwards filling up the slight depressions so made with a black metallic substance obtained from lead, copper and silver melted together with sulphur, fused into place and polished until a smooth, even surface is obtained, on which the details of the pattern are shown with clearness and effect against the black filling. The part of the silver which is thus left exposed is usually gilded but in the more ancient specimens which have been preserved, such is not always the case and some of the most celebrated pieces are plain white and black metal. The original home of the art is said to have been NAKHORN SRI THAMARAJ (South of Siam) whither it may have come from Persia or from India, rather similar work being known in both countries from very ancient times, but the making as well as the use of THOMPAT ware has long been widely distributed through the country. Trays, bowls, cigarette-boxes, dishes even spoons and forks were formerly, and are still made in this remarkable ware. Formerly the patterns most used were representations of animals or of religious emblems. Drinking bowls usually bore figures of Thebpanom, that is royally clothed postulants in the conventional attitude of adoration, encircled by floral designs or by clouds, almost invariably with a "Raja Sih," or mythical lion enclosed in a circle on the bottom. Modern designs are mostly floral and representations of various famous sights, according to the tourist point of view, and though the metallic filling is often inferior to that formerly used, and is sometimes carelessly applied so that bubbles and flaws occur, the general results are often very little, if at all inferior to those obtained in a former age.

THE PORT OF BANGKOK

The port of Bangkok or, as it is better known to shippers, the port of Klong Toi, is like a newly-built vacant house waiting for tenants. The reason for the delay in occupation by the world's shipping service is due to the delay in the dredging of the mouth of the river to allow ships of heavy tonnage to enter the port. One dredger has been at work for the best part of two years, carrying out a twenty-four hour all-the-year-round service, but the bed of the river has still not been conquered, and a greater effort is needed. The port authorities, realising the necessity for speed, are now in final negotiations for the purchase of a second dredger. When this is operat-

ing, the river bed will be conquered in double-quick time and big ships from all parts of the world can unload their cargoes and passengers right at the very doors of the city.

This will be definitely less inconveniencing than the present arrangement whereby ships drawing over a certain draft have to anchor at Kohsichang for loading and unloading. Passengers now going to or coming from such ships have to travel many water miles by steam-tender; when the port at Klong Toi is fully opened, this inconvenience will disappear, so will also the Kohsichang anchorage. It will also put this port in direct contact with the various shipping lines of the world which now send an occasional ship to Bangkok. Time was when Bangkok was considered a shipping backwater. Today its port is becoming as important as its aerodrome. The main reason for this lies in the fact that Siam has part of the raw materials the world needs. Siamese rice feeds the hungry; timber provides them with shelter. It is because of this, that within the next ten years, the port of Klong Toi will outrival Rangoon and Singapore as far as port service is concerned.

TRAVEL RESTRICTIONS

One United Nations agency is trying to break down the artificial barriers which have, in the past, been preventing closer contact between the peoples of different parts of the world. One important barrier concerns visas on passports. Formerly, and even now, if a traveller wants to land in countries lying between the two points of his leaving and destination, his passport must be vised by the consular representative of each country en route. The United Nations agency wants to do away with this burden. The plan is to issue a world passport by an international group which has been authorised to do so. This piece of paste-board will give the holder free access to the wide, wide, world.

This plan is based on the much more important one of getting the peoples of the world to know each other better than ever before, and through this means, drive away misunderstanding, which very often leads to war. It will enable people to visit different countries without the difficulties now being encountered, and will thus develop tourism to an extent never known before. The saying is as true today as when it was first uttered that one half of the world does not know how the other half lives. This is due to restricted travel facilities and stifling rules and regulations which do not make travel attractive. One of the greatest obstacles to tourism is the burdensome immigration rules of some countries, including the very high deposit a traveller has to put down if his stay exceeds a fixed period. All this should be

done away with. A free people, living in a free world, should be allowed to move about it without let or hindrance. Great Britain and the United States have realised the importance of freedom of travel and are erasing travel restriction rules from their Statute Books. They are also seeking to induce other nations to do so. It will be a happy day when all nations are of one mind on this subject.

HOTEL ACCOMMODATION

One of the immediate concerns of the Government is the provision of adequate hotel accommodation for the thousands of visitors who include Bangkok in their travel itinerary. The total of tourists who paid a visit to Thailand or who passed through by air with a night-stop in the capital far exceeds anything that has been known before. Additionally, the immigration quota for every country is rapidly filled, while the population has been further increased by wealthy European or Chinese refugees from China who come to Siam temporarily, but with the hope of an extended stay if their appeal to the authorities is successful. All this, and the fact that a large number of foreign business enterprises are operating in Bangkok and that recruited employees have to find accommodation, has accentuated the housing problem. Every hotel is full, so is every boarding house, while people who have an extra room in their home are not averse to letting it to those who are without homes. A confirmation of this fact is found in the daily newspapers which carry advertisements inviting occupation of rooms.

This acute housing shortage is also seen in the building boom which is on at the present time. All available space in the city is full of newly-built or partially-built houses. Groups of what were once called tenement buildings have been re-built into commodious hotels. Owners of land are finding a fortune on it by the building of houses. They get high rental and "pae-chia" (tea-money) an evil which is as rampant in the west as it is in the east.

This housing shortage has given the local Government a headache, as it gives to every traveller who comes to Bangkok and finds he has to scour the capital to find temporary lodgings. Food is not a difficulty since there are hundreds of restaurants providing European, Chinese, Thai or Indian food. The difficulty is where to lay one's head for the night if one does not take the precaution to make a prior booking. The only cure for the headache, as far as the Government is concerned, is the provision of more hotel accommodation. The Government already runs three hotels in Bangkok. One is the palatial Ratana Kosindr, the second is the commodious Suriyanon, and the third is the popular railway hotel at Hualampong which has been in existence for many decades. In addition,

PROBLEMS OF THE JAPANESE STEEL INDUSTRY

HAINAN COAL IMPORTS AND "SCHUMAN PLAN" WILL AFFECT JAPANESE STEEL INDUSTRY

Steel Export Prospects

Japanese steelmakers, who have recently been talking a lot about a crisis threatening their business, had reason to rejoice on 2 June. They were told that Japan would be able to buy 1,000,000 tons of cheap and good coking coal from China. This should be of much help to the industry in facing the critical situation bound to develop when government steel subsidies are to be withdrawn. Their joy was, however, toned down only two days later, when they heard another big steel news item—this time from Europe. Six European nations agreed on 3 June to work out a plan—the "Schuman Plan"—for pooling their coal and steel production. The Japanese thus had to realize that their European rivals in the steel business were getting ready to meet them on an equal or even better footing.

The Japanese Government last year decided to remould Japan's foreign trade setup on the basis of the so-called Logan formula, which had been responsible for the spectacular comeback of West Germany's foreign trade, and Japanese official and business circles agreed that the emphasis of the Japanese export trade should be switched from the traditional branch of textiles to the field of machinery, or the iron and steel trade, as in Germany. Meanwhile, it has become mandatory for the Government to withdraw its subsidies from the iron and steel industries.

there are many private-owned hotels, some of which were built a generation ago, others after the South-East Asia war to meet what was then expected to be an increased influx of visitors. No one then realised that the influx would turn into a tide.

Now with a view to solving part of the problem comes the plan of a mammoth hotel to accommodate over two hundred guests. The plan has been sponsored by the Government in conjunction with the various travel agencies, - - - shipping, aerial and railway each of which will have a directive voice in its administration. The plan is certain of materialisation since the Government has a hand in it, and it will be to the interest of transport companies to have available accommodation for the thousands of travellers who use their varied lines. The report is that the mammoth hotel will come into existence before the end of the present year. It will be welcomed by travellers.

Steel Subsidies' End 1 July

These subsidies have been lifted gradually, the first step having been taken last September and January. All subsidies are to be withdrawn entirely for ordinary steel from 1 July. But during the past several months, Japanese industrialists and trade officials belatedly realized that it had been wishful thinking when they hoped in this field to compete with Europe on the world market. It was established that Japanese steel costs, without subsidies, were unreasonably high.

Japanese finished steel rods, for instance, cost the equivalent of US\$70 to \$75 per ton, as compared with the American cost of \$73, the English cost of \$50. As a result, the present Japanese price of \$110 quoted CIF Manila appears almost ridiculous compared with prices of much superior British steel at \$95 and German steel at \$75.

Under the circumstances, it is difficult to expect that the export goal set for this year by the Economic Stabilization Board at 450,000 tons of steel and 150,000 tons of processed iron and steel products could ever be reached. Instead, some quarters have begun to predict a crisis in the Japanese steel industry after withdrawal of subsidies on and after 1 July.

Steelmakers blame the high cost of coking coal more than anything else for the steep prices of Japanese steel. Japanese high calory coal at present is sold at ¥5,000 (\$15) per ton. The industry has been clamoring for a lowering of coal costs for a long time. A couple of months ago, however, the Japanese Coal Board released a "White Paper on Coal" in which it ruled out all hope for lower coal prices. The White Paper said in gist that any further rationalization of coal mine operations could not be considered unless substantial loans could be made by the State, and that a reduction in the price of coking coal could be achieved only through nationalization of coal mine operation, or in other words, by reviving subsidies to the coal mines. Of course, neither of the Coal Board suggestions appeared to be practical.

Production Rush Before Deadline

Under the circumstances, steelmakers stopped waiting for cheaper coal and started feverish operation of their plants day and night, to turn out as much steel as possible before the deadline of 30 June and thereby earn subsidies before they are abolished forever. Production rose sharply. Government officials are now upset, realizing that if steel production goes on at this excessive rate, the Government won't have enough money to pay out the promised subsidies.

The National Treasury had set aside ¥4,322,000,000 in subsidies for 400,000 tons of steel. Now government officials estimate that well over 800,000 tons

will be produced before 30 June. Finance Ministry and International Trade and Industry Ministry officials got together to discuss the problem. The budget has its limits and the National Treasury cannot play Santa Claus, therefore the subsidies would have to be withdrawn when funds are exhausted, said Finance Ministry officials. The International Trade and Industry Ministry made a new bid for reconsideration and proposed to stretch the subsidies at least to 700,000 tons. Arguments continued for days and weeks without producing any results. Then the Economic Stabilization Board stepped in with a compromise plan of paying subsidies for 670,000 to 680,000 tons of steel produced before 30 June. It is reliably reported at the time of writing that this compromise plan will have to be adopted formally by the cabinet at its next council meeting.

This stampede not to miss the subsidies has had many repercussions, both tragic and comic. Booming business was done by scrap metal merchants, for Japanese steelmakers use as much as 60 to 70 per cent scrap steel in combination with 40 to 30 per cent of pig iron. A month ago, officials of the Industrial Rehabilitation Kodan (Government Corporation) were astonished to find their Kawagoe warehouse, about 40 miles north of Tokyo, emptied of well over 300 tons of former Japanese army artillery shells. Investigations disclosed that about 200 nearby farmers had helped themselves to these defused but live shells and sold them to general scrapmetal merchant stores. Some peddler, trying to flatten a heptagonal steel pipe, was blown up into the air; the "pipe" was a dud American firebomb. Some furnaces were reported wrecked by "exploding" scraps.

Cheap Kailan Coal Coming

In view of this situation, it is easy to see how Japanese steelmakers were pleased to learn that contracts for purchase of 1,000,000 tons of Kailan coal were now merely awaiting authorization by SCAP and the Red China authorities.

Japanese press reports said three of Japan's major steel companies—Yawata, Fuji and Japan Steel Tube—signed contracts to buy 1,000,000 tons of coking coal, containing no more than 13 to 19.5 per cent ash, from the Sino-British Kailan Mining Administration.

The reports said the first delivery of 300,000 tons was expected to be made in July, when the subsidies will cease, at an invoice price of \$11.34 per ton CIF Hirohata (a North Kyushu port), with payment to be effected through Japan's Open Account with Hongkong. Price and payment terms for the remaining 700,000 tons are subject to review every three months, but the \$11.34 quotation was set as the maximum Japanese steelmakers agreed to pay.

The Japanese buyers are also reported to be petitioning SCAP for permission to use Japanese shipping to

STERLING DEVALUATION AND JAPAN'S EXPORT INDUSTRY

So long as Japan's economic recovery is dependent upon the growth of export trade, its most serious interest has become centered on the worldwide tendencies toward currency devaluation following the example set up by the British pound sterling. In the wake of that step, Japan's exports have fallen in quantity to nearly one-half of the previous volume, and notably, sales to the devaluation countries have been forced to an almost total standstill.

Export Contracts (In US\$1,000)

Exports for	Average May-Aug.	Percentage	Total for Sep. 19- Oct. 16	Percentage	Total for Oct. 17- Jan. 13	Percentage
Dollar areas ...	15,948	47	18,432	94	22,933	75
Sterling areas ..	18,045	53	1,226	6	4,044	25
Total	33,982	100	19,658	100	26,977	100

As is seen from the above table, counteraction of the pound devaluation seems to have thoroughly hampered the revival of the Japanese economy. Consequently, it was the consensus of opinion and desire that Japan should follow suit in slashing down its yen value so as to keep pace with the needs of the changing world.

However, following the announcement of the Japanese Government referring to its policy to adhere to the Y360 to dollar rate now in force, Gen. Douglas MacArthur declared his unwillingness to revise the present rate of exchange.

The ground for these announcements of SCAP and the Japanese Government against any devaluation of the yen seems to have been based on the view that in connection with the greater part of imports coming from the dollar areas, a reduced exchange rate of yen, particularly at the outset when the Dodge Line program was being carried

out, would entirely upset the price level in this country with the result that the nation's economy now on its way to stabilization might be jeopardized.

This view was shared by not a few even among industrial circles. Again, toward the end of October, contract amounts indicated an increasing sign and regained its usual monthly level recording as high as \$30 millions in November. With the turn of the year 1950, good prospect in January for attaining a \$40 million mark, almost parallel to the previous peak level, was even predicted on the strength of the International Trade and Industry Ministry forecast.

For this reason, it is evident that on the one hand, exports to the dollar areas which had already begun to increase early in October were expected to continue for a certain period to come, and the conclusion of the Anglo-Japanese Trade Agreement, on the other hand, largely accounted for the

continued buoyancy in export trade. As another factor toward this favorable turn in the situation, equally noteworthy had been that buyers who had been holding off in anticipation of a possible cut in the yen rate again turned bullish upon failure to see such a change in the immediate future.

General Influence of Pound Devaluation

The 30 per cent cut in the value of the pound induced Japan to lower her export price by 30 per cent, while import prices also dropped by 30 per cent. As a result, such a country as Japan whose vital commodities for the nation's economic reconstruction are largely dependent for the present upon supply from non-devaluation countries, whereas most of her industrial products being sold to those devaluation countries ... faces a huge disadvantage in that she had to sell her export products for low prices while paying costly price for her import raw materials. In fact, this is the very position which caused Japan serious concern, and which is still being felt in regard to the pound devaluation. At the same time, similarly noteworthy is the fact that import volume is nearly 3 times as much as exports.

Nevertheless, it is interesting to note that contrary to expectations the pound devaluation has had no such influence upon Japan's export trade with the devaluation countries. That is, the export prices thus cut practically were not always in parallel with that percentage of the devaluated pound — even those fallen prices remained at between 10 and 20 per cent (in a few instances prices conversely tended upward).

On the other hand, prices of import commodities dropped about 30 per cent.

carry at least half of the contract cargo.

If this contract is finalized and goes into effect, the Japanese steel industry will be freed of its coal headache for at least a year hence, for 1,000,000 tons are nearly sufficient to fill their annual requirements, and the price of \$11.34 or less is quite favorable compared with the local price of \$14, or, for American coal, the invoiced price of \$18 CIF.

Ore Supply And Equipment Problems

But there was other equally significant news to offset the favorable effect created in the Japanese steel industry by the prospect of cheap coal supplies. Two days later the trade was alarmed by reports from Europe, stating that agreement had been reached by France, Western Germany, Belgium, Italy, Luxembourg and the Netherlands

to go along with the coal and steel pool plan proposed 9 May by French Foreign Minister Robert Schuman. The Japanese industry realized that all their worries were not over.

The Kailan coal deal, if it proves successful, will solve the coal cost problem and enable the Japanese industry to stand on an equal footing in this respect with its European competitors. But iron ores now being used in Japan are generally of poor quality and Japanese steel plant equipment is largely outdated.

Meanwhile scrap steel now held by merchants is estimated at 1,500,000 tons: this supply will be used up within this year.

Japan does not produce any high grade iron ores comparable to those mined in Europe. Japanese steel mills

are now using comparatively low grade Philippine ore. Recently, the Wanishi plant of Fuji Steel and the Kamaishi Mill of Kawasaki Heavy Industry were reported to have succeeded in the industrial use of sand iron. But this process is still found to work rather uneconomically. Japanese trade executives are dickering for supplies of better grade ore from Communist-held Hainan Island.

As regards the Japanese industrial equipment, nothing could be done right at this moment. Japan's largest Yawata Plant, now producing 2,400,000 tons of ingot a year, is operating only 65 per cent of its outdated and over-worked equipment. Even Japan's most modern steel mill, the Hirohata Plant of Fuji Steel, was equipped with machinery obtained ten years ago, with a current annual production of only 240,000 tons.